

## SERVICES INDUSTRY

### Market Opportunity Overview

International trade in services has received growing attention in recent years. It is generally concluded that Canada has a major export interest for certain key service sectors and also certain distinct vulnerabilities as a large net importer of services and host country for foreign direct investment.

The overall share of services in world trade appears to have remained more or less constant over the past fifteen years at about one-third of merchandise trade, but with significant changes in the composition and direction of service trade. It has been argued that total service trade would have grown faster were it not for the existence of barriers to such trade. It is these impediments to service market access, which exist for a variety of historical and policy reasons, that are now the subject of increasing international analysis and discussion.

With respect to consulting engineering services exports have become an increasingly important activity since the 1960's. Work in export markets has increased by nearly 20% annually and by 1980 accounted for approximately 20% of the industry's billings. Traditionally the USA has represented the most important export market for engineering services but more recently consulting engineering exports are more equally divided among the USA, Latin America, Middle East, Far East and Africa. In addition to direct sales to these countries, the multilateral development banks and agencies represent a large market for Canadian consulting firms.

### Current Access Constraints

Trading nations have long recognized the importance of service exports, to their current account performance. Similarly, imports of services can make critical contributions to national economic development. Appeals for liberalization of trade in services are made on the grounds that increased internationalization of service trade through the market mechanism could produce global welfare gains through specialization. However, there are wide differences among the functions performed by service sectors as they take place in highly differentiated national and international regulatory regimes.

The latest impetus for international discussion on trade liberalization for services has come from the United States, which is pressing strongly for multilateral action to deal with a perceived growth in impediments to its increasingly important exports of services. Most developed countries have been prepared to support examination of the feasibility of greater multilateral cooperation in the services area, where rules and dispute settlement machinery are significantly less developed than in the goods sector. Developing countries have been markedly less prepared to accept discussion of international service activities in organizations such as GATT.

The international market place is lucrative for Canadian consulting engineering firms, however, considerable time and effort is required to market these services and competition is extremely fierce. Due to the cost involved in undertaking a successful international marketing campaign as well as the relatively limited financial resources of most consulting firms, it is difficult for the small and medium sized