

Services industries appear to be far less trade-dependent than the goods sectors, since services exports represented just 12.4 percent of services production in 1997, compared with that of 99.2 percent for merchandise exports (Table D.1). In all subsectors among services industries, the services export share of sectoral GDP in 1997 was well below that for merchandise exports. The measure of export orientation is low for services, as a large number of Canada's private commercial services remain almost completely outside of the global trading system. For instance, exports of retail trade, real estate, as well as personal and household services, represent only minuscule shares of their sectoral GDP.

Why do services industries lag behind goods industries in their propensity to export? The following addresses some barriers that limit services production from reaching its export potential, and reviews areas in which services trade can be enhanced. First of all, services are not as trade-dependent as goods because they include a number of activities that are non-commercial in nature. Typically, non-commercial services are neither cross-border tradable nor commercial deliverable through establishing affiliates abroad. These activities include much of those associated with owner-occupied dwellings, governmental, education, health and social services, and are mainly carried out within national boundaries. In 1997, total output of these non-tradable services combined represented 25.3 percent of Canada's GDP. This means that while services production represented 65.3 percent of GDP in 1997, the potentially tradable group of services was equivalent to 40 percent of GDP. Secondly, services delivery in a number of industries requires the physical presence of suppliers in proximity to the consumers. For these industries, commercial presence is needed in order to provide services where they are consumed. For instance, a Canadian-based company must deliver its services by sending suppliers abroad to where the services production is needed. This process involves either the movements of "natural" persons across the border or the establishment of an affiliate abroad. Since commercial presence implies residency in the economic territory, supplies of services within the same country represent transactions between residents. By convention, such supplies by Canadians abroad escape trade data accounting, even though the resident suppliers are affiliates of Canadian institutions. In fact, Canadian firms provide a significant amount of services production abroad through their affiliates abroad, not only because of commerce-presence requirements, but also for other reasons such as the

**Table D.2: Sales of Services to U.S. Persons by Majority-owned Non-bank U.S. affiliates of the Canadian firms, 1989-98 (\$ millions)**

	1989	1998	Annual average growth (%)
<b>All industries</b>	22,351	64,318	12.5
<b>Wholesale trade</b>	199	n.a.	n.a.
<b>of which: auto vehicles</b>	n.a.	242	n.a.
<b>Retail trade</b>	292	24	-24.4
<b>Finance, except depository institutions</b>	230	4,488	39.1
<b>Insurances</b>	10,479	15,196	4.2
<b>Real estate</b>	4,930	3,533	-3.6
<b>Hotels &amp; other lodging places</b>	123	258	8.6
<b>Advertising</b>	7	99	34.1
<b>Equipment rental &amp; leasing</b>	n.a.	222	n.a.
<b>Computer &amp; related services</b>	173	1,065*	22.4*
<b>Motion pictures, including TV tape &amp; film</b>	552	5,632	29.4
<b>Engineering &amp; architecture</b>	197	310	5.2
<b>Accounting, management, R. &amp; D.</b>	18	191	30.2
<b>Transportation</b>	n.a.	5,862	n.a.
<b>Services component in other sectors</b>			
<b>Agriculture, forestry &amp; fishing</b>	6	34	21.5
<b>Mining</b>	24	96	16.9
<b>Manufacturing</b>	n.a.	630	n.a.
<b>Public utilities</b>	n.a.	3,233	n.a.
<b>Construction</b>	n.a.	49	n.a.

Sources: U.S. Department of Commerce, Bureau of Economic Analysis, converted to Canadian dollars.

\*Supplemented by data available for 1996.

n.a. - not available.