

Roughly one-half of the sector, by assets or revenue, consists of foreign producers. Canada has also been attracting ever more investment from the U.S., our most important investor. Canada's share of the manufacturing capabilities of U.S. multinationals, as measured by assets, has increased from 11.7% in 1997 to 14.5% in 2004 which would suggest that Canada continues to be an attractive location for manufacturing investment.

Services

For many, the greatest concern about the rise of global value chains is the offshoring of services. While manufacturing has long been considered tradable, it was often claimed that any lost jobs in manufacturing would be more than made up for with better, cleaner and higher-paying service sector jobs. But where will the jobs come from now if those same jobs can be done from a low-cost country as well?

As noted in an earlier section of this study, estimates of the number of service sector jobs that are potentially offshorable vary widely but can be quite considerable. Another concern is that a sizable number of those occupations that are thought to be newly offshorable are considered to be well paying and moderately to high-skilled.

A central concern is the potential for emerging markets, with much lower wage rates, to compete for these jobs. One study puts the number of young professionals in developing countries at 33 million.²⁸ This is compared to about 15 million in high wage countries. If support staff, doctors and nurses of all tenure groups is included, this figure jumps to 392.8 million in low wage countries and 181.3 million in high wage countries.²⁹ But not all skilled workers are of the same quality. Another estimate suggests that only around 13% of these are of suitable quality to

work for a global MNE in their field of specialty. Using a broader measure of those holding university degrees puts the number of potential skilled workers at 930 thousand in China and 750 thousand in India alone compared to 1.5 million in the EU, 1.3 million in the U.S. and 129 thousand in Canada.³⁰

To What Extent is Services Offshoring Occurring in Canada?

Canada currently has a sizable trade deficit in commercial services which, to some extent, can be viewed as offshoring of services. However, similar to manufacturing, as a share of total output of the sector this deficit is tiny, suggesting that offshoring of services to date has had only a minimal impact on Canadian jobs. In 2005, Canada exported \$35.1 billion in commercial services and imported \$37.9 billion for a trade deficit in commercial services of \$2.8 billion. Canada had small surpluses in computer and information services (\$1.6 billion) and management services (\$0.2 billion), the two categories of commercial services most closely associated with offshoring. And, 88% of Canada's commercial service imports were from rich countries – Canada had a sizable trade surplus of \$3.1 billion in 2004, the latest year for which data was available, with low-wage countries. Canada's commercial services trade with India, accounted for only one-fifth of one per cent of Canada's total commercial service imports. Moreover, Canada had a trade surplus of \$37 million with India, representing nearly half of imports in 2004. About all that can be said is that Canadian commercial service imports from India have grown fast in the past number of years; more than tripling since 1999 and growing by 73% between 2003 to 2004 alone. A recent study by Morissette and Johnson (2007) supports this view. They find that, with the exception of clerical employment, there is no evidence that occupations

28 Young professionals include engineers, finance, accounting, analysts, life science research and professional generalists with a university education and up to seven years of experience.

29 Sample of 28 low-wage countries and 8 high-wage countries. "The Emerging Global Labour Market" McKinsey Global Institute, 2005.

30 U.S. National Science Foundation 2007.