

Third, the US remains our main trading partner in terms of trade with affiliates, followed by the EU. The US share of Canadian trade with affiliates increased over the 1993-1996 period.¹⁰⁴ In 1996, 41.6 % of our exports of services went to Canadian affiliates in the US, compared to 40% in 1993. However, imports of commercial services of US affiliates in Canada accounted for 56.2%, a decrease of 2.8% from 1993.

Fourth, foreign-controlled companies traded more services through their affiliated companies than the Canadian-controlled companies. Canadian controlled companies dominated exports with 67.7% in 1996 compared to 44.7% for imports. Out of the 67.7% of exports, only about a quarter of such exports was conducted through Canadian affiliates. Foreign controlled firms in Canada, however, exported almost two-thirds of services through their affiliates. On the import side, the US-controlled firms imported more, up to 85%, than exported services from its affiliates abroad.

Most activities with Canadian affiliates abroad are concentrated in the "miscellaneous services to business" and research and development categories while activities of foreign affiliates in Canada are also concentrated in "miscellaneous services to business" as well as in management services and royalties and license fees. For arm's length trade, Canadian exports came mainly from insurance activities and architectural and engineering services. Imports came from insurance and computer services.

-Provincial services trade

Although service exports as a share of total Canadian exports accounted for about 15% of that total, they represented 44% of interprovincial exports in 1996, a substantial increase of 12% since 1984. Interprovincial exports in Canada are dominated by service industries such as wholesale, transportation, and financial services, which accounted for 17, 14 and 14 billion respectively in 1996.

Services also play an important role domestically through the jobs and output generated by interprovincial and international trade.¹⁰⁵ A review by sector indicates that the top five sectors contributing the most to GDP generated by interprovincial exports were the following services sectors: wholesale, finance and real estate, transportation, business services and communications services. Ontario represented half of Canadian interprovincial services exports with almost two-third of its exports concentrated in financial services.

¹⁰⁴ Services can also be provided through foreign branches or with associates.

¹⁰⁵ In 1990, interprovincial exports generated by service industries had a larger impact, about 60%, in terms of GDP and employment than exports generated by manufacturing industries which are responsible for 60% of interprovincial flows of exports.