

concerns were all identified as least important for both groups, which may point to the ability of firms to address those issues themselves.

## Conclusions

Global production is increasingly being governed by global value chains (GVCs). The rise of GVCs has been driven by both technological as well as policy developments. While improvements in ICT and falling costs of transportation and telecommunications have likely played an important role, solid empirical support is still lacking. Only the important role of air transportation has been well established and even here a greater understanding is required, particularly for services trade. Among the policy drivers, the integration of new participants into the global economy has been found to be an important driver as has the related declining tariff rates and other barriers to trade.

There is good reason to believe that all participants, including Canada, are benefiting from the emergence of global value chains. Trade at a more fragmented level and in services magnifies the potential gains from trade. Indeed, Canadian companies and workers can benefit as some low-skilled activities are offshored, which increases the productivity and competitiveness of Canadian companies and translates into more and better paying jobs for Canadians. This is supported by the data, which show that as some activities are offshored, others are inshored.

The extent to which Canada can prosper within this rapidly changing global economic landscape will depend on Canada's ability to create an economic environment that attracts and retains high-valued activities that will ensure a high and improving standard of living for all Canadians.

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