

SERVICES TRADE

In initiating the Canada-U.S. negotiations both sides agreed to explore reducing barriers to trade in services as well as in goods. Also for the first time, the services sector comes within the scope of the new round of multilateral trade negotiations launched under GATT auspices.

The services industries account for a large and growing share of output (over two thirds of GDP and employment) in both countries. Concurrently there has been an expansion of trade in services with the United States and between Canada and the rest of the world. This is particularly so in business services.

In 1986 Canada's total exports of services (excluding investment and transfers) were valued at \$17.4 billion but imports were \$23.9 billion.

Exports of services accounted for nearly 60 per cent of non-merchandise sales and about 12 per cent of total current account receipts. Services exports to the U.S. were worth \$10.5 billion but imports were \$12.8 billion, producing a deficit of \$2.3 billion compared with \$231 million in 1965.

Financial services, transportation, telecommunications, informatics, consulting engineering, management consulting and other professional services account for most of the trade in business services. But services trade statistics are not industry specific. Rather they are maintained in the current account as receipts (exports) and payments (imports) for such general categories as travel, freight and shipping, and business services.

Travel receipts in 1986 amounted to \$6.3 billion; freight and shipping

receipts to \$4.5 billion. Business services accounted for exports of \$5.4 billion (\$3.9 billion to the U.S.) and imports of \$7.6 billion (\$5.2 billion from the U.S.). Proportionate to the growth in our trade in business services, however, the payments deficit has been shrinking over the last 20 years.

A special Statistics Canada study of 1984 trade in services published last year (not yet updated) indicated travel and business services were the largest contributors to the non-merchandise or invisibles deficit. The study allocated business services to 16 functional categories of receipts and payments.

Royalties, patents and trademarks, and management and administrative services were the leading business services accounts, producing a combined deficit of \$1.7 billion (\$1.6 billion with the U.S.). The manufacturing sector accounted for 40 per cent of foreign payments and for 68 per cent of the deficit in business services, mainly through payments to foreign parent companies in the U.S.

Canada became a net exporter of consulting and professional services

10 years ago as our engineering firms in particular gained world-class stature. In 1984, this account recorded receipts of \$938 million (\$771 million from countries other than the U.S.) and a surplus of \$681 million.

Tooling and other automotive charges (in approximate payments balance) were also among leading business services traded in 1984, principally with the U.S., as were equipment rentals and research and development (with a combined total deficit of \$545 million). Canada enjoyed a surplus in communications and computer services with the U.S. and world wide.

The Ministerial Declaration launching the Uruguay Round GATT negotiations calls for the establishment of "a framework of principles and rules for trade in services, including elaboration of disciplines for individual sectors with a view to expansion of such trade under conditions of transparency and progressive liberalization". Similar objectives are sought in the Canada-U.S. bilateral arena.

