

trade conclusion but does suggest at least a heightened corporate awareness of swaps as a means to reduce risks or borrowing costs, is that swap market growth in 1992 was concentrated among Asian and U.S. corporations.

4.6 Trade in Financial Services

4.6.1 What is Trade in Financial Services?

When discussing the effects of integrated financial markets on international trade, trade in financial services warrants special attention. This includes the international activities of banks, trust companies, securities dealers and insurance companies.

Strictly speaking, trade in financial services occurs only when the location of the provider and consumer of a financial service differ.⁴² By this definition, trade in financial services encompasses activities such as financial institutions extending loans to, or accepting deposits from, customers in other countries. It also includes financial institutions in one country underwriting issues, or providing brokerage services, for clients in other countries.

4.6.2 Financial Integration an Opportunity for Increased Trade

As discussed earlier in this Paper, the integration of world financial markets implies that there are few barriers to the free flow of capital. With that free flow of capital, we would expect an increase in the trade of financial services, even using the above -- rather restrictive -- definition.

Canadian banks are very active in international markets. In 1992, one-third of the total value of their loans went to non-residents.⁴³ According to the OECD, domestic banks that establish in foreign countries count on foreign subsidiaries of

⁴² See The Economic Council of Canada, *Globalization and Canada's Financial Markets*. Ottawa: Supply and Services Canada, 1989, p. 145.

⁴³ Bank of Canada, *Bank of Canada Review*. Ottawa: Bank of Canada, Fall 1993, Table C8. Of \$190,744 million of Canadian dollar loans, \$2,241 million was issued to foreigners; of \$148,449 million of foreign-currency loans, \$111,926 was issued to foreigners.