

SECTION 6

CONCLUDING OBSERVATIONS

This paper has reviewed some key issues and trends in the service sector in Canada and in other developed countries. During the last few decades, there has been a shift in employment and output in the developed countries from the manufacturing and resources sectors to the service sector. This gradual shift has been referred to as the "structural shift". With respect to trade, it is important to recall the developments in information technologies and communication that have accompanied the structural shift. These developments have revolutionized the organizational structure of businesses and the mean by which some services could be traded without requiring the simultaneous presence of the producer and consumer.

The difficulty of measuring the output of service and the lack of detailed and reliable data on trade in services appears to be the main cause for the general misunderstanding about the role of services. Moreover, the study noted that trade in services is underestimated not only because of the quality of service data, but also because most services are indirectly traded through their embodiment in traded goods. The total contribution of services to trade is greater than figures on trade in services would indicate.

The paper concluded that growth in the service sector has a considerable bearing not only on the ability of Canadian service industries to trade directly with foreigners, or indirectly through foreign affiliates, but also on the overall competitiveness of goods producing industries which use services as inputs. There is a relationship between trade in goods and the domestic service sector. The growth in the output of service is likely to be generated by an increase in the output of goods.

It was also found that the structural shift that occurred in recent decades in favor of increased employment and GDP in services has neither resulted in the disappearance of the manufacturing sector nor led to any negative effects on the economy. On the contrary, a large share of domestic growth could be attributed to the output growth of services resulting from higher interdependencies between both manufacturing and services industries. More service production is expected to be generated by the increase in goods output than if service output increases. Service industries tend to generate spillover effects on the economy as they create a need for high-skilled labour force, a continuing development in information technologies and R&D, a low-cost and efficient transportation system, and modern telecommunication networks. These factors have a considerable bearing on a country's ability to increase its overall level of competitiveness.

Our empirical results have shown that Canada's economy, like those of most OECD countries, has performed well in terms of its share of services in total employment and GDP. Canadian service industries, as well as those in other developed countries, are