

AN OVERVIEW: UNDERSTANDING THE CANADIAN SERVICE SECTOR AND TRADE IN SERVICES

INTRODUCTION

“The globalization of services is poised to transform the world economy as dramatically as the growth of the services sector has transformed our domestic economies in recent decades”.¹

This paper attempts to provide some insights into understanding the dynamics of the service sector and trade in services in an increasingly globalized and open world economy, particularly in a Canadian perspective.² The study has two main objectives:

- i) To briefly review the literature addressing some key domestic services and trade in service issues;
- ii) To provide a statistical review of services (domestic and trade data) for Canada, and in some cases the other G-7 countries.

A secondary objective, based on the analysis of the main objectives is to make a contribution towards providing a basis for understanding and approaching future negotiations in trade in services.

Services are important to the economy and to trade. Services account for more than two-thirds of total employment and GDP in most of the OECD countries. In Canada, services represented 73 % of employment and 67% of GDP in 1997.³ Globally, trade in services represents 19% of world trade. The share of trade in services in Canada was about 15% during the 1987-1997 period. Services, however, also have an indirect effect on trade, as domestic service inputs are important for the production of goods destined for export. Thus, services play a more important role in international trade, than what is indicated simply by trade in services statistics.

Recognizing the importance of services to the world economy and the need for a more predictable set of rights and obligations for trade in services, the GATT Contracting Parties engaged in negotiations on trade in services during the Uruguay Round (1986-1994). With the entry into force of the World Trade Organization (WTO) in 1995, the General Agreement for Trade in Services (GATS), one of the basic components and also

¹ Extract of an address by Warren Lavorel at the Coalition of Service Industries Conference, Geneva, June 24, 1997.

² It is important to note that the results of this study, as well as any findings on services overall, should be used with great caution due to limitations in service data.

³ Based on EET calculations, see reference in Section 2.