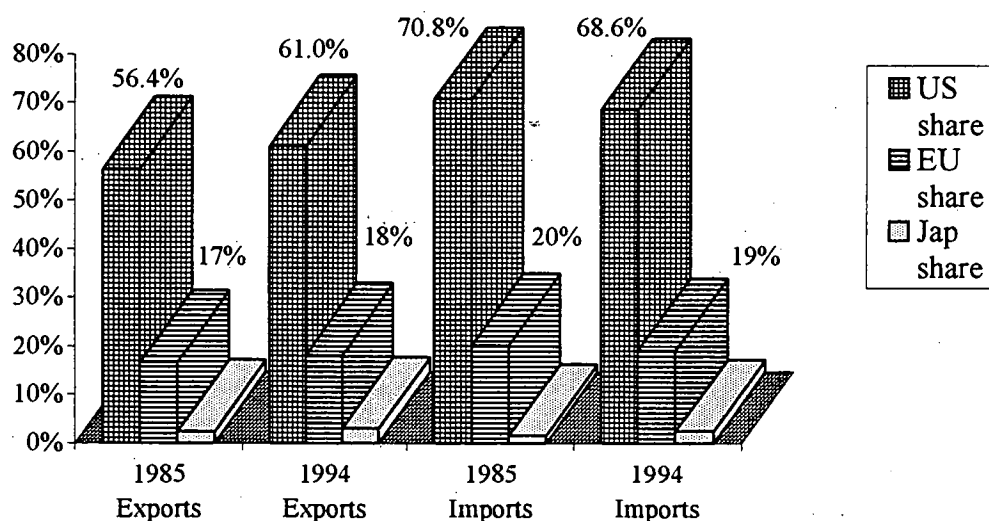


penetration of these markets. Relative to the 1985-89 period, when about 57% of all Canadian exports of commercial services went to the U.S.; in the 1990-95 period the proportion of all our service exports to the U.S. increased to over 62%. Such an expansion in sales of Canadian knowledge-based services to a technologically advanced economy is an indication that our workers and companies are competitive.

On average, about 91% of all our imports of commercial services, during the years of 1985-95 also came from the U.S., Europe and Japan. These countries have been the major source of new technical know-how for Canada. Over the same period, our purchases from the U.S. averaged about 70% of our total imports of commercial services. This is illustrated in Chart 7 below.

Chart 7: Canadian Commercial Services Trade, Country Shares, 1985 and 1994



7.3 Intra-firm Trade in Commercial Services

In the past, some analysts have argued that foreign corporations operating in Canada do most of R&D at their head offices abroad, and therefore, only a few high-tech and high real-wage jobs are created in Canada. However, as far as trade in commercial services is concerned, such a claim does not find much support since 1985 (see Chart 8 below).