

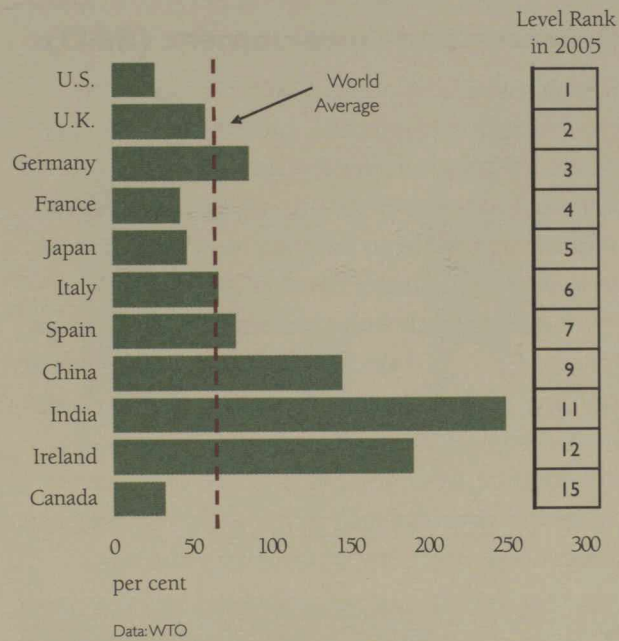
Canada as a Services Offshoring (inshoring) Destination

Canada, it has been claimed, is a net beneficiary of services offshoring. A study by McKinsey Global Institute (2005) ranked Canada third in the world behind India and Ireland in terms of locations for offshored services. But, most of this seems to be lower-end call-centres rather than high-skilled IT services. While Canada accounted for 11% of new call centres Canada only accounted for 2% of high value-added information technology centres.³⁴ Contrary to this, and again using trade balances as an indication of comparative advantage, Canada has sizable trade surpluses in many of the categories of commercial services that are most closely associated with services offshoring. For example, in 2005, Canada exported nearly 40% more computer and information services, and architectural, engineering and other technical services than were imported.

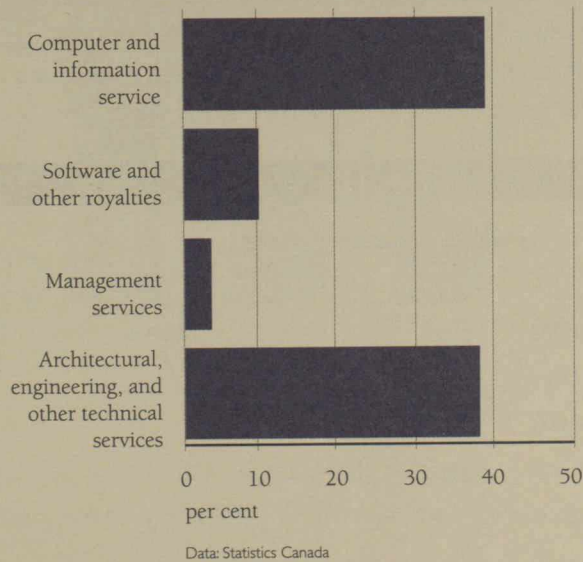
But, Canada seems to be lagging in terms of moving to a service based economy more generally. Services as a share of the total economy is among the lowest of the G7. And although Canada ranks 9th in the world in terms of merchandise exports, as of 2005, Canada ranked 15th in the world for service exports. This was well below many much smaller countries such as the Netherlands, Ireland, Belgium and Austria and represented the second worst growth rate among the top 15, meaning that Canada will fall even further behind if that trend continues. Canada also attracts less investment in skilled services relative to the size of the sector. While foreign controlled firms account for more than 50% of assets in the manufacturing sector, they account for only 15.5% in professional, scientific and technical services.

Summing up, offshoring of high wage services to low wage countries is not currently an issue for Canada and while this phenomenon is growing quickly it will remain small for some time to come.

Growth in Service Exports (2000-2005)



Trade Surplus as a Share of Exports (2005)



The bigger issue for Canada may be why Canada is not a more important global player in high-value and high-knowledge service industries and how

34 Trefler (2006-01)