

thereafter increases were only a paltry 17%. But new technologies currently being introduced might again give this area substantial productivity growth rates.

Given the technical problems associated with measuring productivity in the service sector, the link to international competitiveness has not been studied in detail. It should be noted, however, that domestic productivity is of limited relevance here to those areas which are more or less closed to international competition, whether by regulation or by their intrinsic qualities (e.g. personal services).

(iv) Regulation

Related to the question of productivity and efficiency is that of competition policy and regulation. Quite apart from the large public and para-public services domain, many service sectors are highly regulated, either by the Government (banking, insurance, etc.) or by the industry on behalf of government (e.g. the professions). These regulations have been put in place in whole or in part for sound and continuing reasons of public order. Some have a protectionist effect either incidentally or, it appears in some countries, by design. Regulations written for goods industries can affect services and vice versa.

A number of service sectors generally have been affected by the American movement to deregulation e.g. aviation. There is some suggestion that this influence may be having a wider effect on U.S. government and others' thinking on services. This remains to be confirmed.

The Canadian approach to regulation has a different philosophical basis from that in the United States, grounded in a different Canadian approach to intervention in the economy. There have been various Canadian reports and recommendations in recent years concerning the process and substance of necessary regulatory reform in Canada. This includes the Economic Council of Canada studies of 1979 and 1981 on "Reforming Regulation". It is clear that as the process of examination of services unfolds internationally, a close eye will need to be kept on the question of regulation and deregulation, and on the relationship with competition policy.

(v) Services Internationally

Interestingly, the overall share of services in international trade appears to have remained more or less constant over the past fifteen years, at about one-third of merchandise trade, although the structure of international services trade has changed. Indeed, for countries such as the United States and Canada, services have declined as a proportion of total exports (for Canada, see Chapter C4 below).

However, if one takes account of the internal activities of multinational enterprises (MNEs) including Head Office activities on