

intensive products, registered rapid growth in both cross-border trade and affiliate sales. These services typically include business, financial and entertainment services, as well as services that are complementary to merchandise trade such as wholesale and transportation services. The expansion of both cross-border exports and sales of knowledge-intensive services by Canadian affiliates is an integral part to the structural adjustment toward a knowledge-based services economy.

Trade economists have always argued that, although trade is not expected to have a permanent impact on the level of employment over the long run—ultimately, it is the macroeconomic policy rather than trade policy that has been responsible for maintaining full employment—it would likely have a strong influence on the structure of output and employment. Increased trade in knowledge-intensive services would result in faster growth of output and employment in these sectors, contributing positively to the development of Canada's specialization in knowledge-based services industries.

Services are overall more knowledge-intensive than any other sectors; therefore, employing many more well-educated knowledge-workers than any other sectors. Service industries encompass many of the best jobs in Canada. The key to maintaining and improving Canada's standard of living is to encourage the development of Canada's specialization in knowledge-based services, generating many high-paid and high-quality jobs in Canada. Liberalizing services trade and investment is an important vehicle to achieve this end.

Nevertheless, despite the continuing expansion of international trade and investment in services, relative to the size of total domestic services, trade in services is still disproportionately small. A large proportion of services activity is still confined to a national boundary and home ownership. Even in some knowledge-intensive services sectors that registered fast trade growth in recent years; their trade performance could not match that of manufacturing. This suggests that plenty of room remains for a further expansion of trade and investment in Canada's knowledge-intensive business services.