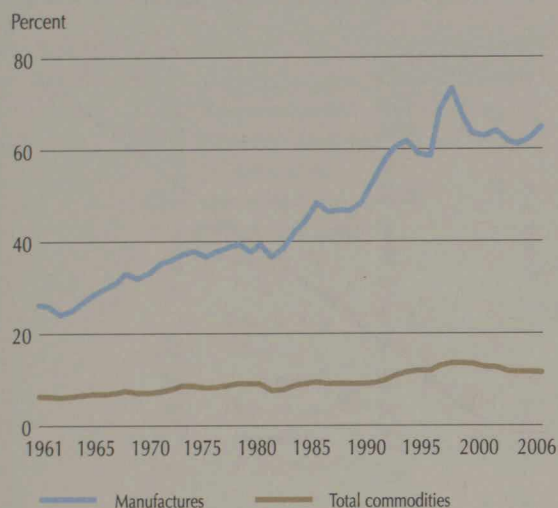


Share of Inputs that are Imported



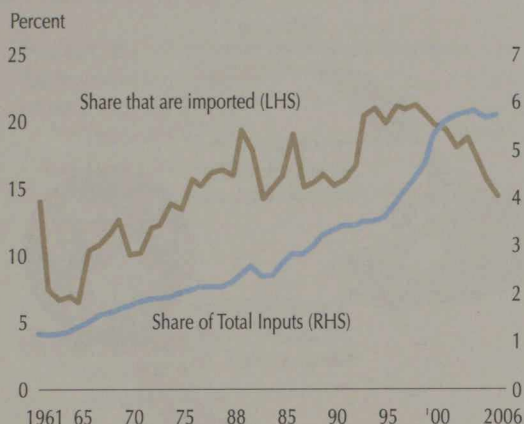
Data: Statistics Canada.

nuanced interpretation of GVCs. Firms used to perform these activities within the firm. As they begin to purchase them from outside, these activities are no longer captured under manufacturing but under services; this also helps to explain the growing share of the service economy in most western economies. It wasn't only the growth of services, but the shift of some activities from being performed within the firm to outside the firm. But once an activity can be purchased from outside the firm it can also be purchased internationally through either offshoring or outsourcing.

Offshoring and Outsourcing in Canada¹³

The concepts of offshoring and outsourcing are intimately related to GVCs. In other words, *global value chain* is the "noun" that represents a globally interconnected network of activities, while *offshoring* and *outsourcing* are the "verbs" that describe the movement of activities as the GVCs are formed and the trade flows these activities generate.

Professional Service* Inputs



* Engineering, scientific, accounting, legal, advertising software development and misc. services to business.

Data: Statistics Canada.

Offshoring is essentially the movement abroad of an activity that continues to be performed within the ownership structure of the firm. For example, a manufacturer closing an assembly plant in Canada and opening another plant in a foreign country is engaged in offshoring. By contrast, insourcing occurs when an activity that was once performed abroad is moved into Canada. Outsourcing occurs when the activity is purchased from a supplier outside the ownership structure of the firm. For example, a call centre is closed in Canada and a contract awarded to a firm that supplies call centre services from a foreign location. Like offshoring, outsourcing has its opposite—insourcing—which occurs when a firm replaces a foreign supplier with a domestic supplier.

Although there has been a great deal of attention given to offshoring and outsourcing in the media and in policy circles, it turns out that both of these trends are relatively subdued. Possibly even more importantly, the trends appear to be much more circular than is commonly thought; a roughly similar number of activities appear to be moving into Canada as out.

¹³ Outsourcing will refer to offshore outsourcing.