

### 3.2.2 Trade in Services

Trade in commercial services<sup>9</sup> between Canada and Japan is becoming an increasingly important part of the bilateral trading relationship. In 2006, two-way services trade amounted to ¥490 billion (\$4.8 billion), accounting for 17.6% of total bilateral trade in goods and services, compared with only 8.8% in 1990.

Travel services play an important role in Canada's cross-border services exports to Japan, comprising \$543 million in 2006 (compared with transportation services at \$512 million, commercial services at \$398 million and government services at \$34 million), according to Canada's statistics (See Table 3.4).

In the area of commercial services, the largest segment of Canada's cross-border services exports to Japan is with respect to royalties and licence fees. However, computer and information services; professional services, such as engineering and architecture; advertising and related services; and other business services also represent a significant proportion of Canada's commercial services exports. Financial services also represent an important sector in Canada's services trade with Japan. However, the majority of Canada's financial services exports are transacted through commercial presence rather than on a cross-border basis and do not, therefore, figure prominently in cross-border trade statistics.

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<sup>9</sup> Statistics on trade in services often underestimate the total volume of services trade taking place, particularly since services statistics typically only measure cross-border services trade and do not take into account other modes of services supply, namely consumption abroad, commercial presence and temporary movement of natural persons. In some sectors, these other modes of services supply may comprise a much higher volume of total trade than cross-border supply. As a consequence, accurate measures of Canada's and Japan's respective trade performances in the area of services are often difficult to obtain, especially at the disaggregate level.