

Improving Access for Trade in Services

Services industries and international trade in services are important components of Canada's economy. There has been a broad structural shift toward services over the past few decades. Services have increased from just over half of Canada's GDP in 1961 to more than two thirds today. This structural shift is best shown by Canada's changing employment pattern over the decades: today the sector employs about three Canadians in four, compared with one in two in 1961. Moreover, services have accounted for approximately 80% of newly created jobs since 1992. Some of the highest paying jobs in the country are in the knowledge-intensive services industries such as architecture, engineering, research and development, and financial services.

While the volume of Canada's services trade is lower than that of merchandise trade, services trade continues to grow more rapidly than goods trade and significantly faster than the Canadian economy. With the European Community counted as one trading entity, in 2005, Canada ranked seventh and fifth in the world in commercial services exports and imports, respectively. However, at 11% in 2006, Canada's trade in services, as a proportion of its total trade, was less than the world average of 18.4%. That year, Canada exported \$65.1 billion in services, over half of which were commercial services. On the import side, services totalled \$82.2 billion, of which commercial services accounted for 47%, travel services for 29% and transport services for 23%. Canada's two-way trade demonstrates that commercial services are the most important and fastest growing services sector.

Although the United States remains Canada's dominant export destination, Canadian services exports to Europe, Latin America, Asia and Africa are increasing, accounting for upwards of 45% of Canada's total services exports. Moreover,

services trade with emerging markets plays an increasingly important role in keeping Canada competitive on the international stage.

Facilitating increased Canadian services trade (cross-border transactions, FDI-related foreign affiliate sales and the services transactions of independent professionals and contractors working in other countries) yields direct benefits to Canada in job creation, improved productivity and greater business activity. In addition, increased international trade can provide access to a greater range of enabling services (e.g., transportation and distribution, information and communications, financial and professional), which in turn are critical to the efficiency of exports in Canada's manufacturing and primary sectors.

Services production and consumption are subject to a wide range of regulatory measures. Some measures, designed as policy responses to domestic concerns (e.g., consumer protection, quality of service, accreditation), can sometimes also act as impediments to international services trade. Others may involve more direct and explicit discrimination against foreign services providers. As services trade increases in importance in the global economy, countries have engaged in multilateral and bilateral negotiations to reduce or eliminate these market access barriers.

As a country with a strong interest in expanding services exports and investments, Canada relies on bilateral, regional and multilateral, legally enforceable rules on trade in services. These rules help ensure that Canadian exporters receive fair and equitable treatment in foreign markets. Canada pursues market access for services in a variety of international forums, including the World Trade Organization and in various free trade agreement negotiations.