



Canada-Indonesia

Trade and Private Sector Assistance Project (TPSA)

Trade in Services and Services Export Promotion Workshop

Session 4:

A Case Study: The Canadian Services Market and Canadian Services Trade Negotiations and Promotion



The Conference Board
of Canada



Government
of Canada

Gouvernement
du Canada





Session 4

A Case Study: The Canadian Services Market and Canadian Services Trade Negotiations and Promotion

- Overview of the Canadian Services Economy
- The Canadian Services Coalition: Its Role and Operation
- Canada's Participation in GATS and TiSA Negotiations
- Coordination and Consultations of Canada's Services Negotiations
- Canadian Service Export Promotion: Canadian Trade Commissioner Service
- Canada-Indonesia Bilateral Trade in Services: Opportunities and Challenges



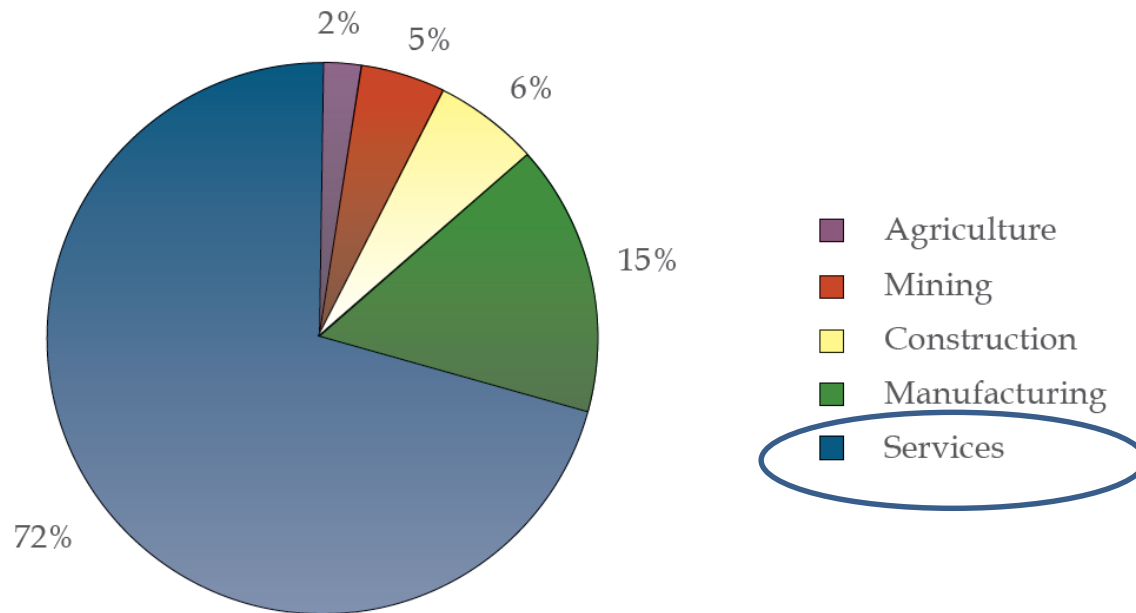
The Importance of Services to the Canadian Economy

A critical and strategic dimension of the Canadian economy
72% of Canadian GDP, growing at 8%
75% of employment, 90% of new job creation





Canadian GDP by Industry

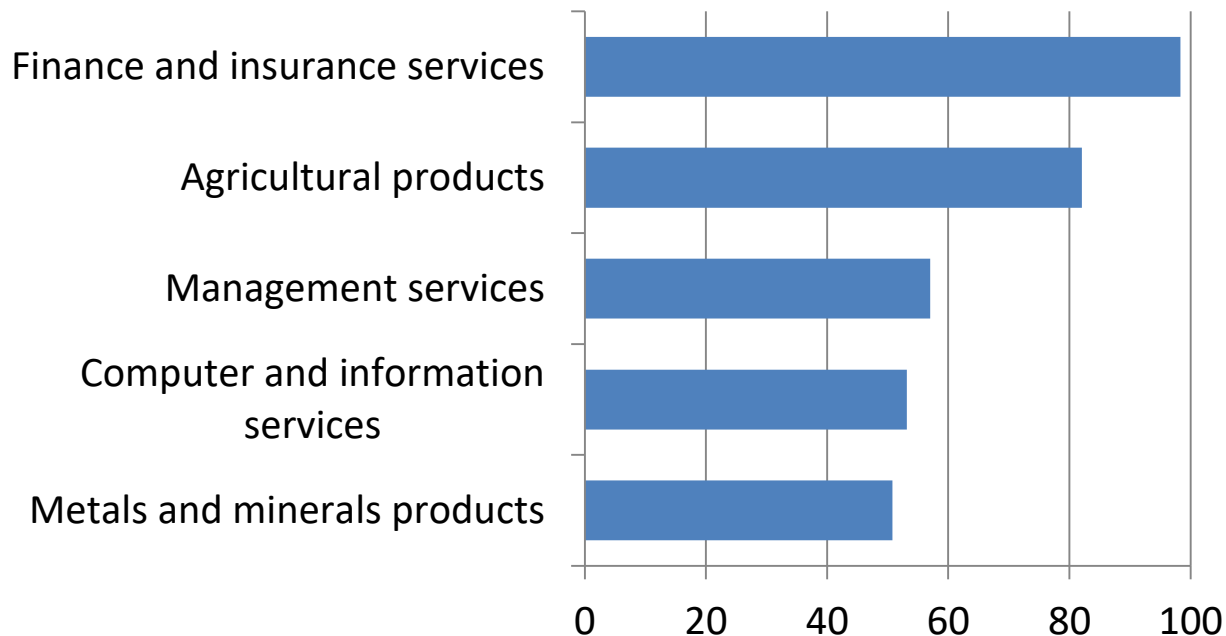


Source: Statistics Canada



Services: Canada's Fastest Growing Exports

fastest growing inflation-adjusted Canadian exports; per cent change 2003-2013

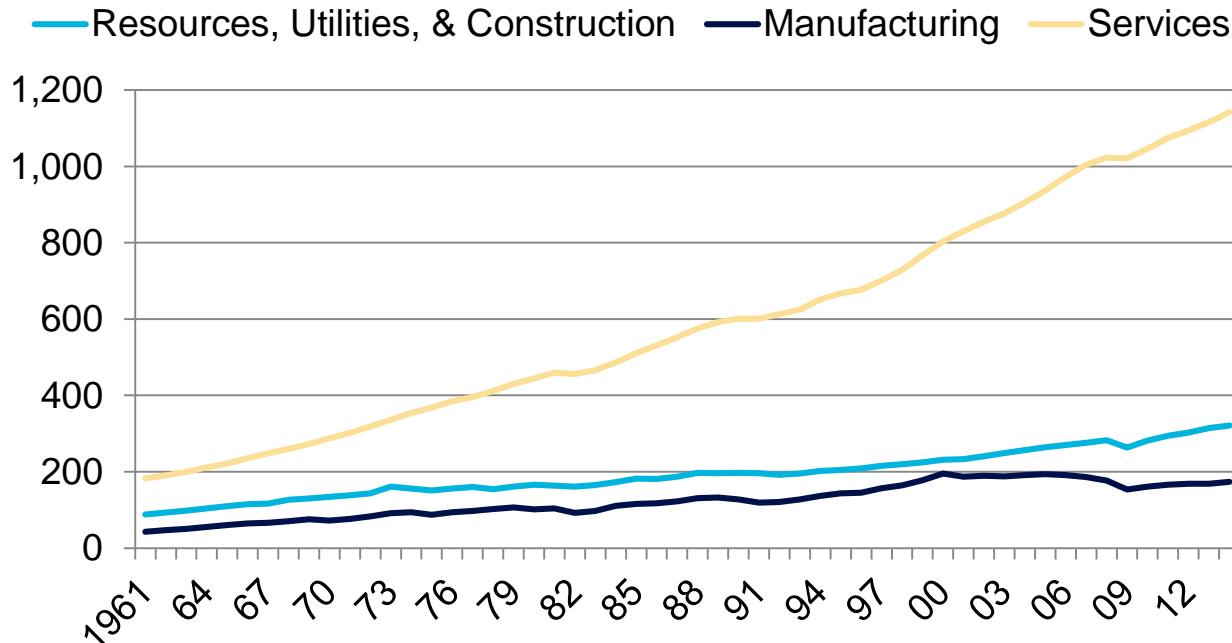


Source: The Conference Board of Canada Interactive Trade Forecast, 2014.



Canada a “Services Economy”

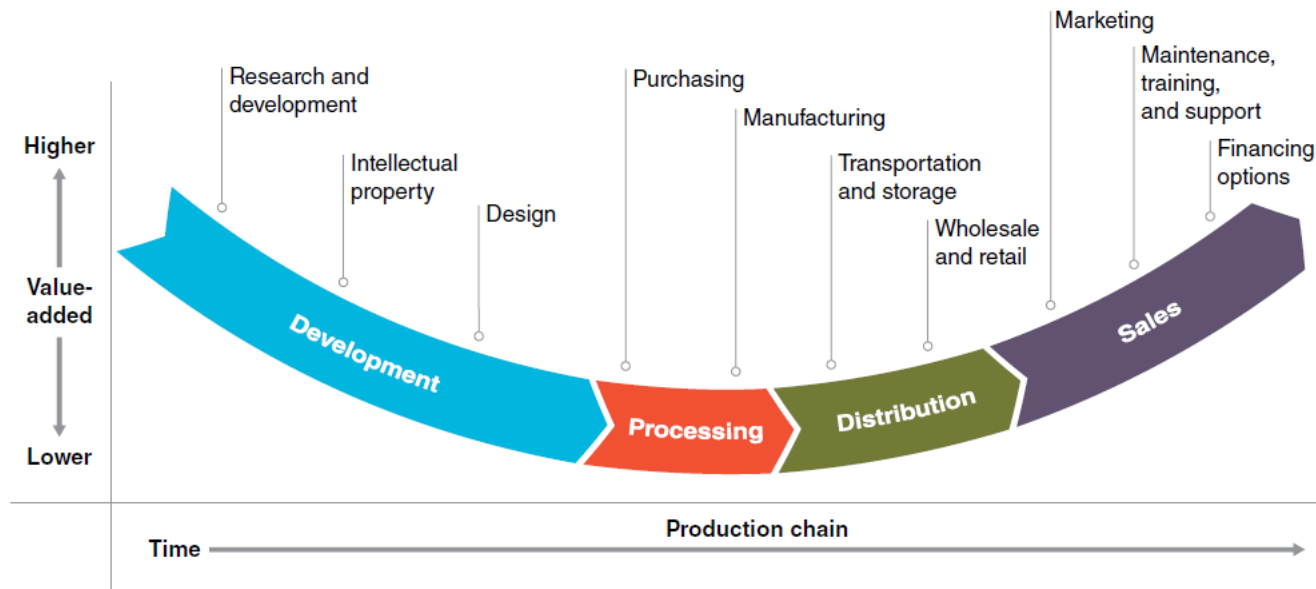
(inflation-adjusted GDP by sector; chained \$2007 billions)



Source: Statistics Canada.



“Smiling Curve” of Production Value: Business Services Are High-Value

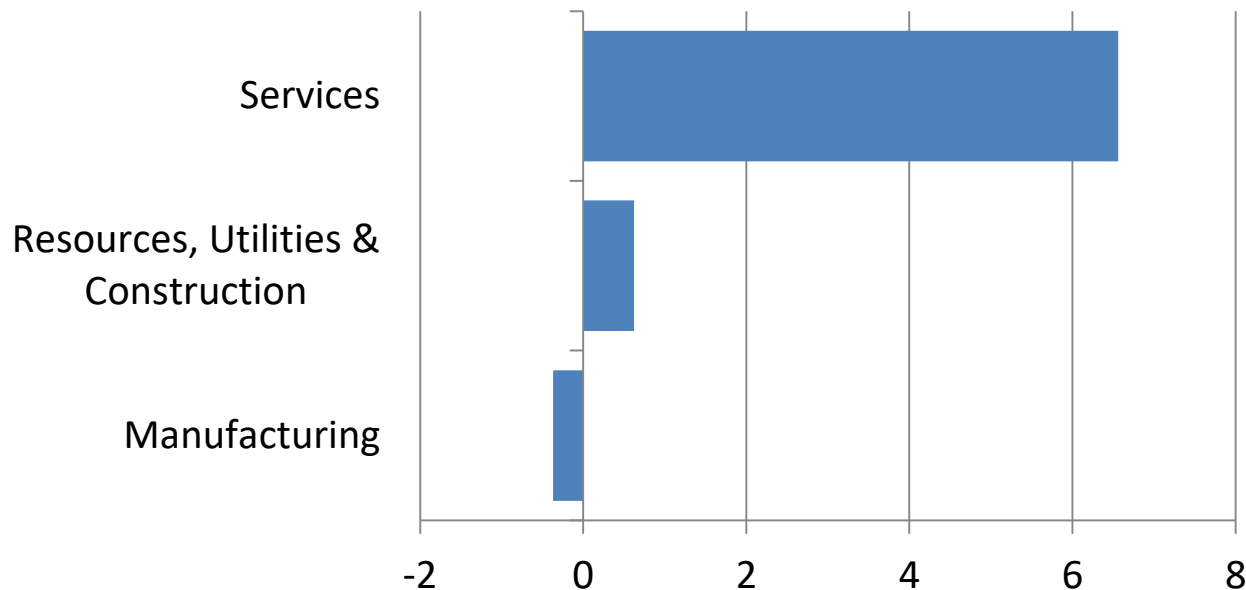


Source: The Conference Board of Canada, adapted from Stan Shih.



Majority of Job Gains in Last 35 Years Are in Services Sector

(net change in employment, by sector, 1980-2014; millions)

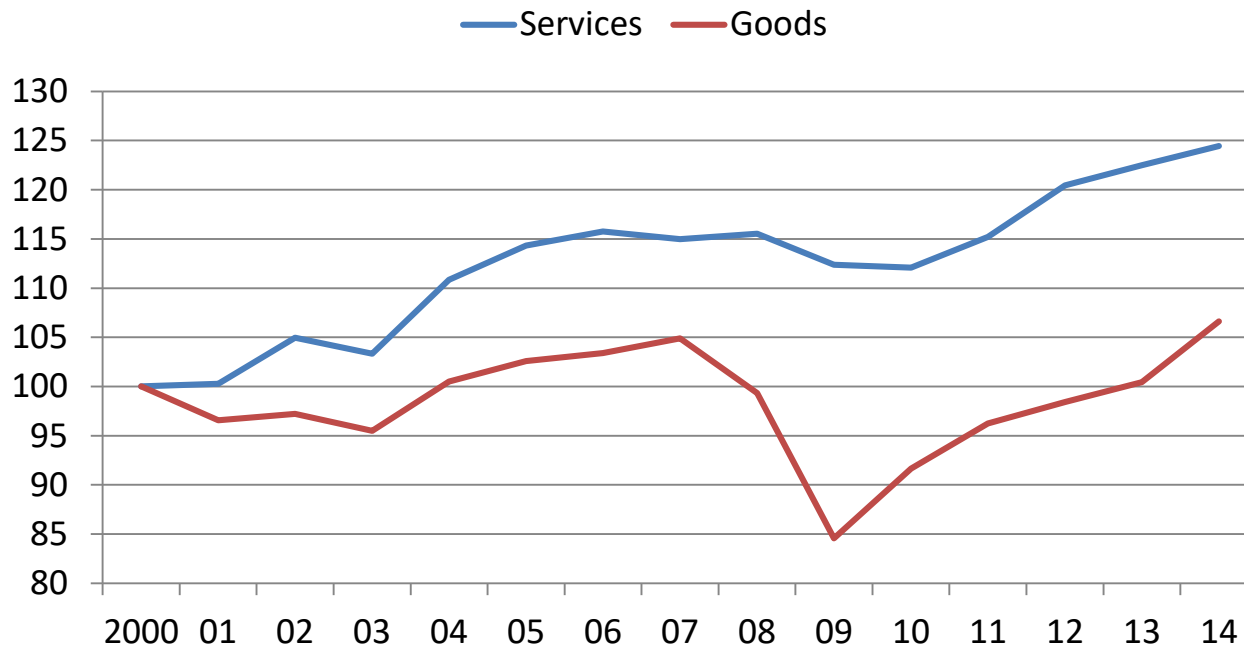


Source: Statistics Canada.



Services More Resilient to Economic Downturn

(Canadian real exports; indexed 2000=100)

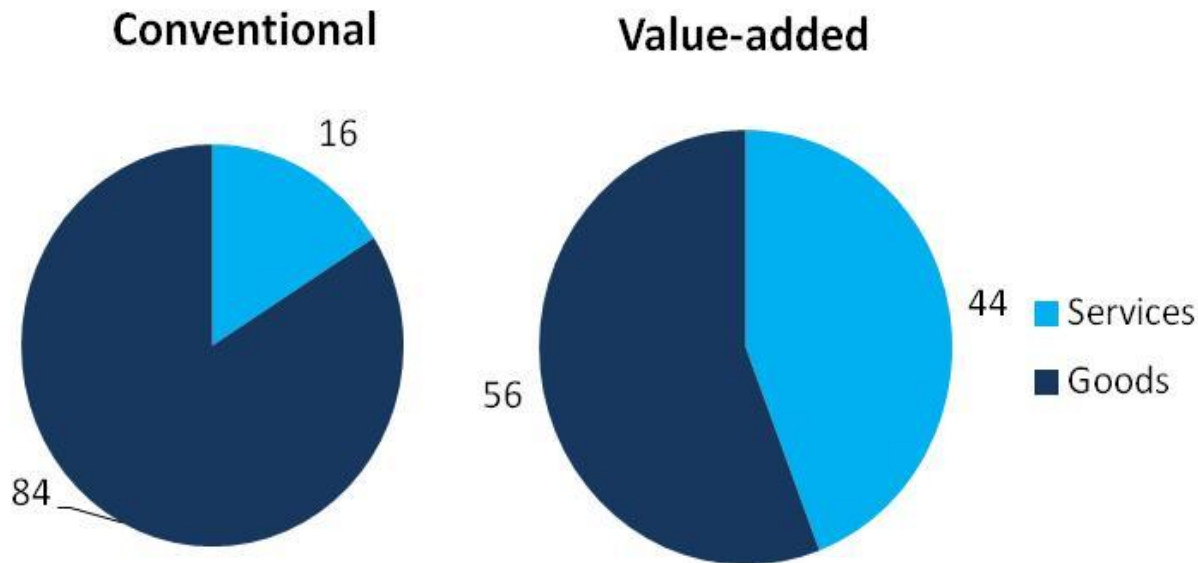


Sources: Statistics Canada; The Conference Board of Canada.



Services' Important Role in Export Picture

(share of Canada's exports, 2011: per cent)

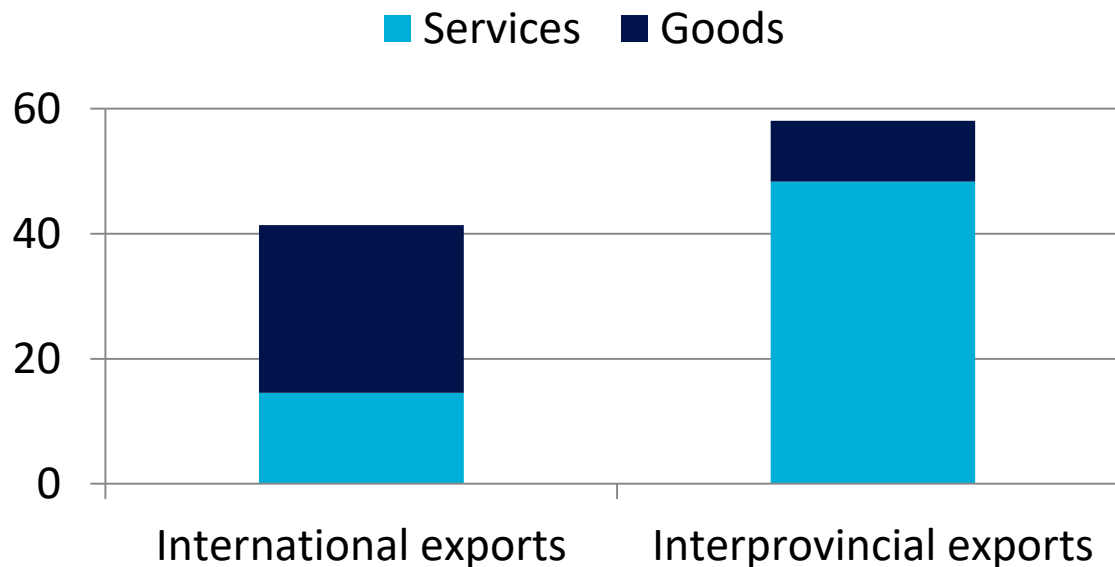


Sources: Statistics Canada; OECD-WTO TiVA.



Interprovincial Trade in Services Grew Significantly

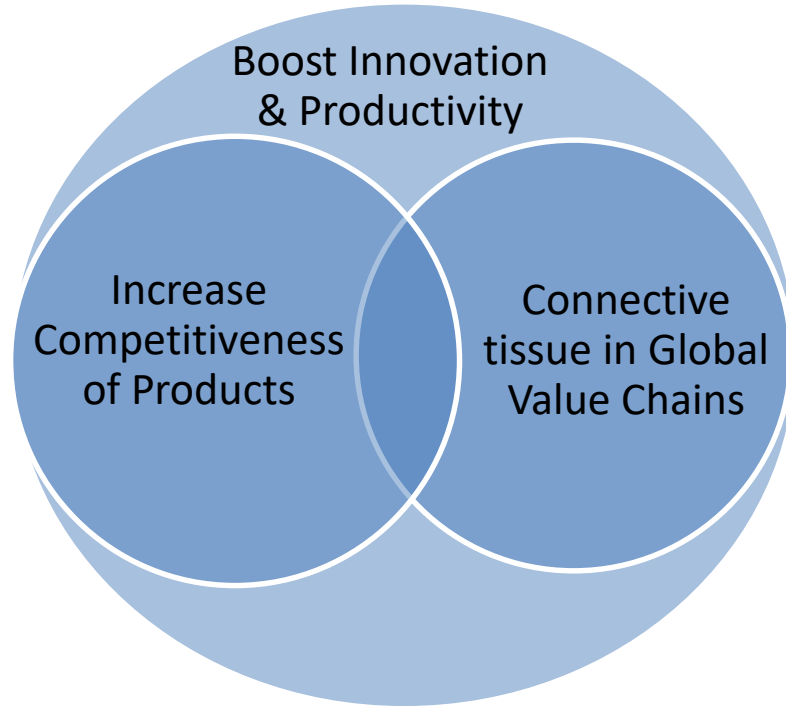
(level change in inflation-adjusted exports over 2003-2013; \$ 2007 billions)



Source: Statistics Canada Table 384-0038.



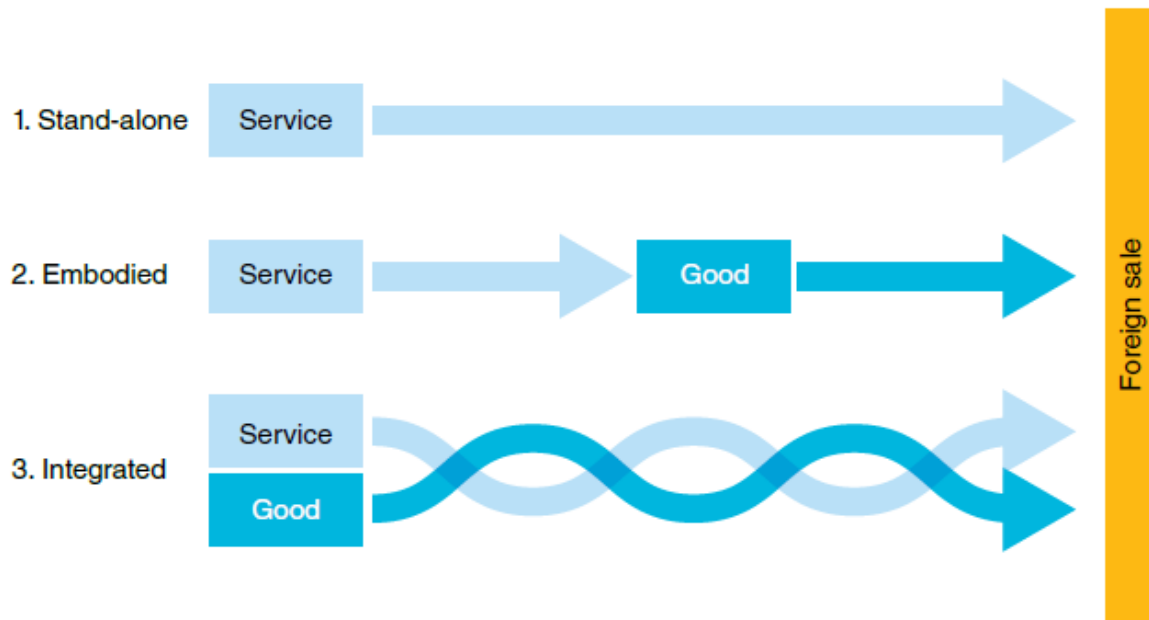
Services Can Provide Many (Interconnected) Purposes



Source: The Conference Board of Canada.



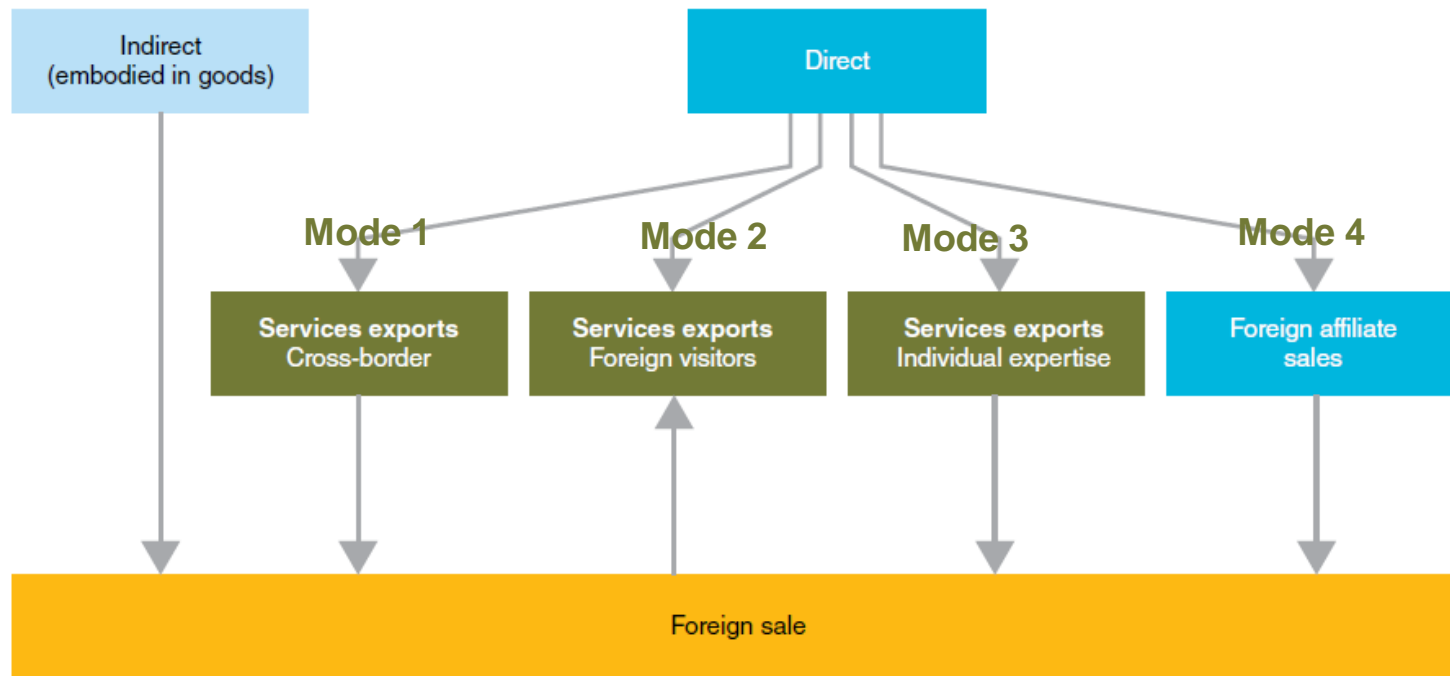
Services Are Delivered in Many Forms



Source: The Conference Board of Canada.



Services Take Many Routes

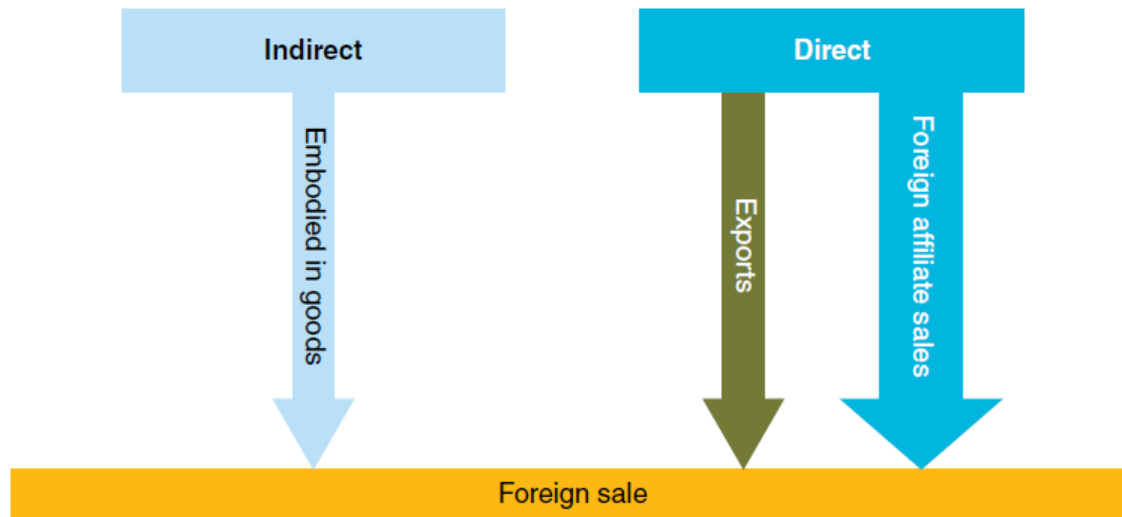


Source: The Conference Board of Canada.



Services Take Many Routes

(width of arrows denotes relative value of Canada's services sales abroad)

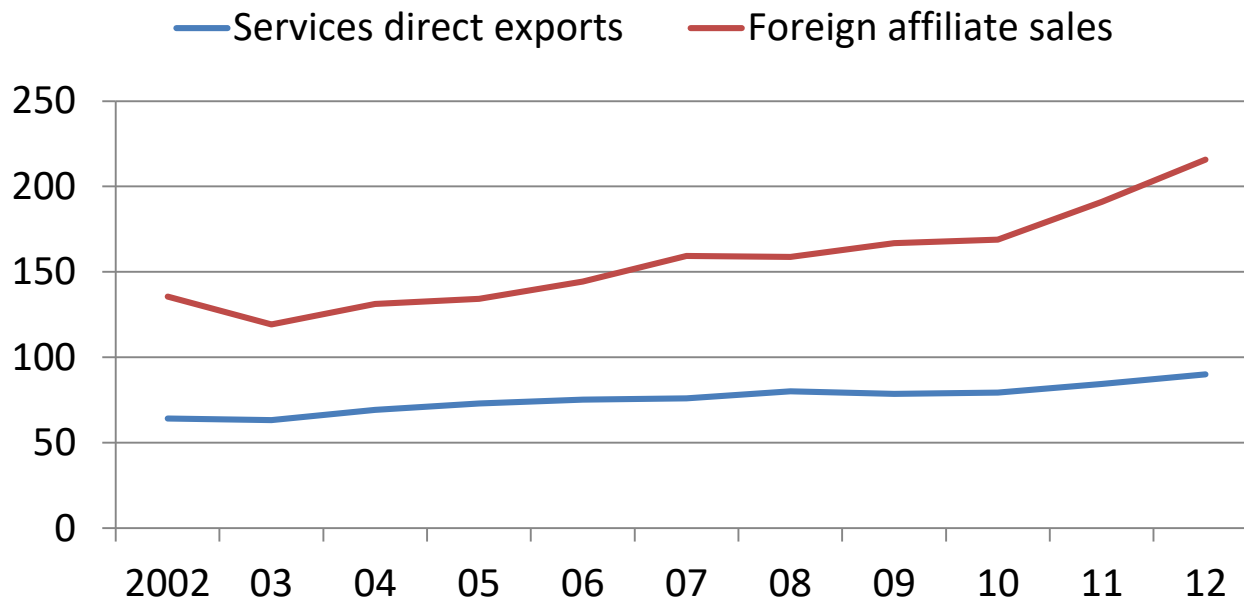


Source: The Conference Board of Canada.



Services Sold via Foreign Affiliates More Popular

(Canada's services exports and services sold through foreign affiliates; \$ billions)

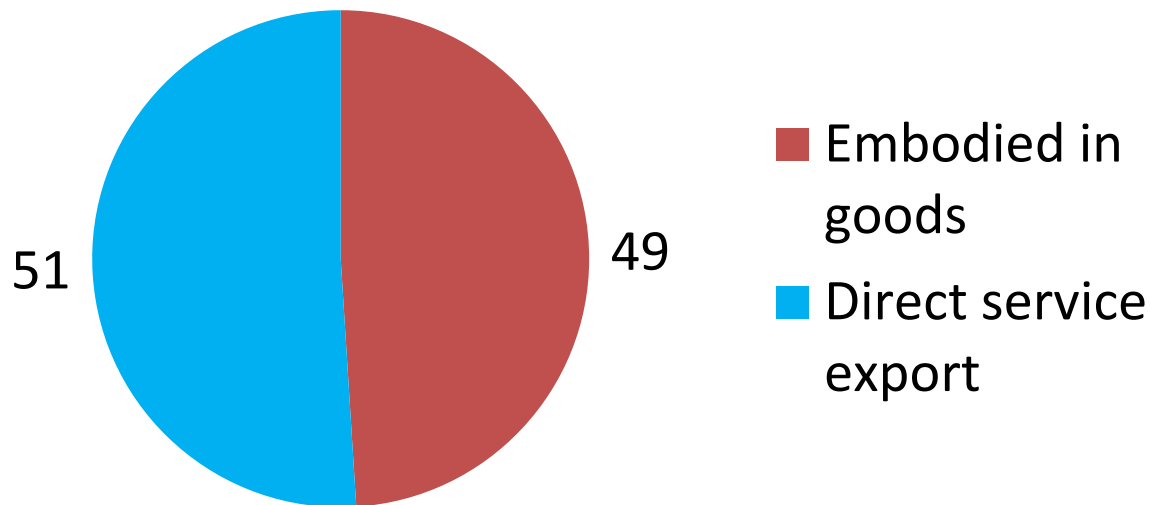


Source: Statistics Canada Tables 376-0036 and 376-0060.



Services Often Reach International Markets Via Goods

(share of Canada's services value-added exports, 2011; per cent)

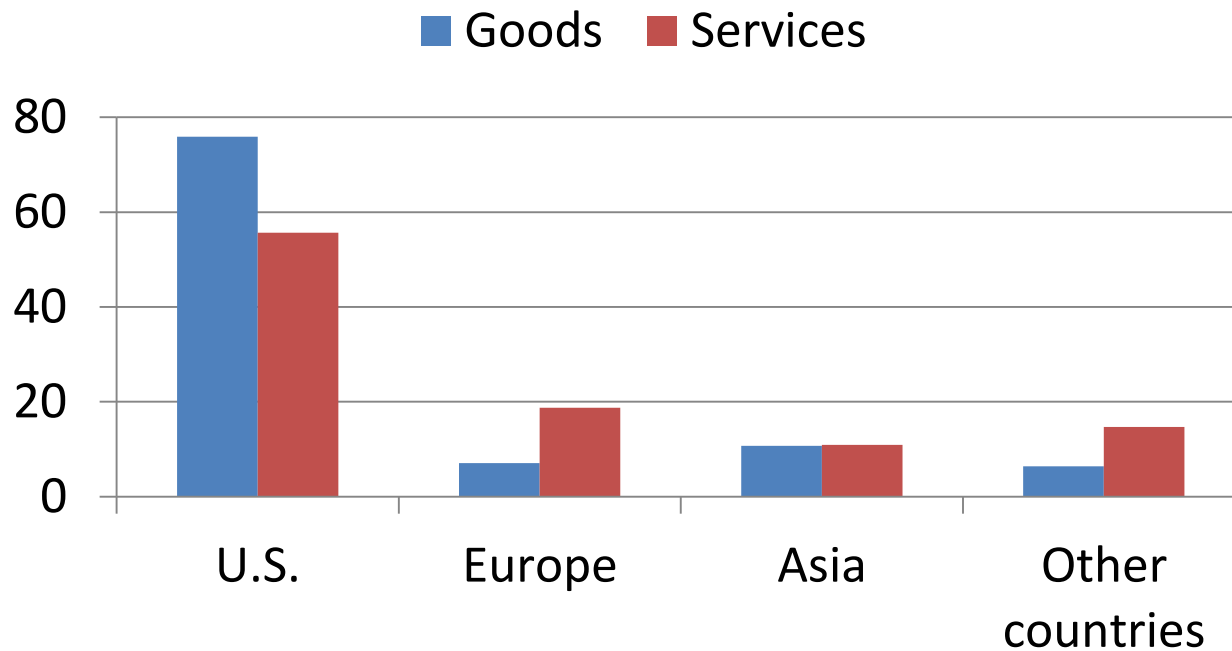


Sources: OECD-WTO TiVA; The Conference Board of Canada.



Services Exports More Diversified Than Goods

(share of goods and direct services exports by destination, 2013; per cent)

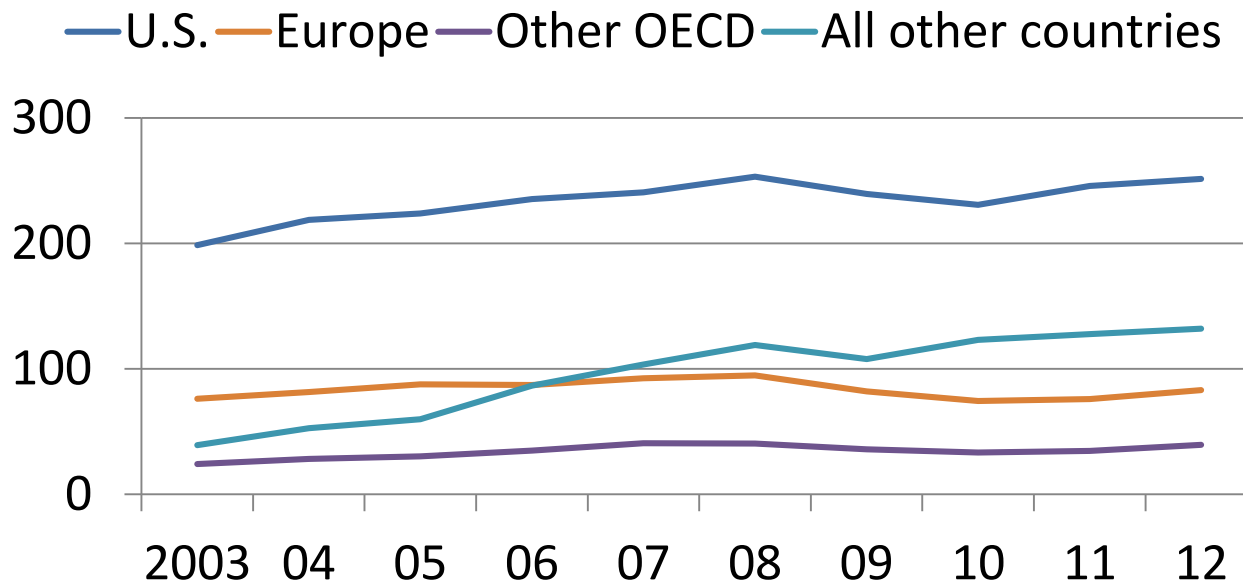


Sources: OECD-WTO TiVA; The Conference Board of Canada.



Canada's Foreign Affiliate Sales Growing in Emerging Markets

(sales of goods and services by foreign affiliates; \$ billions)



Source: Statistics Canada Table 376-0061.



Foreign Affiliates the More Popular Route for Canadian Services

(value of Canadian services sold abroad, 2012; \$ billions)

Foreign Affiliates		Direct Exports	
Finance (non-bank) and insurance	75	Travel services	17
Management	24	Transport and government	16
Wholesale	20	Management	11
Information and cultural	17	Finance and insurance	9
Transportation and warehousing	13	Computer and information	8
Professional and scientific	n/a*	Architectural and engineering	6
Retail	n/a*	Research and development	4
Other services	19	Other commercial services	18
Total	216	Total	90

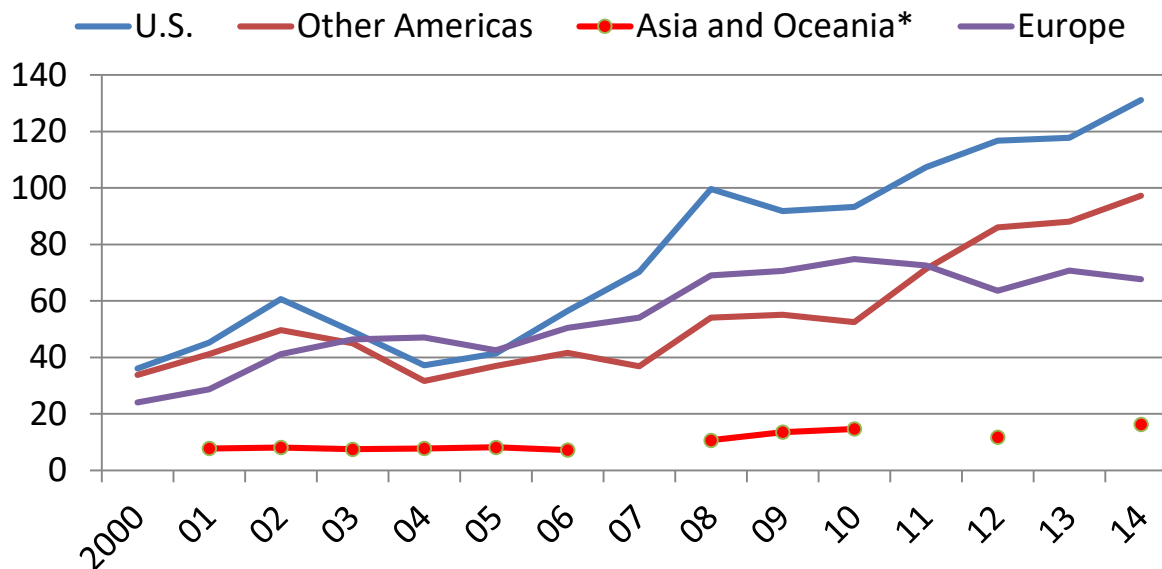
*confidential

Sources: Statistics Canada Tables 376-0060 and 376-0036.



Canadian Finance and Insurance's Global Expansion

(Canadian direct investment abroad in finance and insurance, stock; \$ billions)



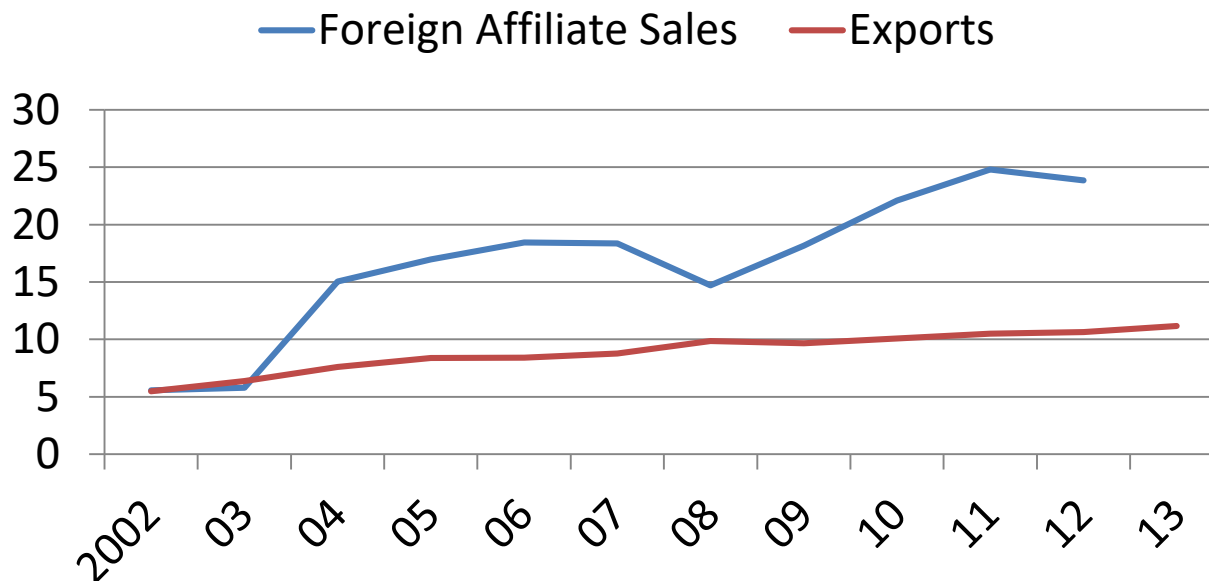
**Data for Asia and Oceania are confidential in some years.*

Source: Statistics Canada Table 376-0052.



Management Services Expanding Rapidly Abroad

(international sales and exports of Canadian management services; \$ billions)

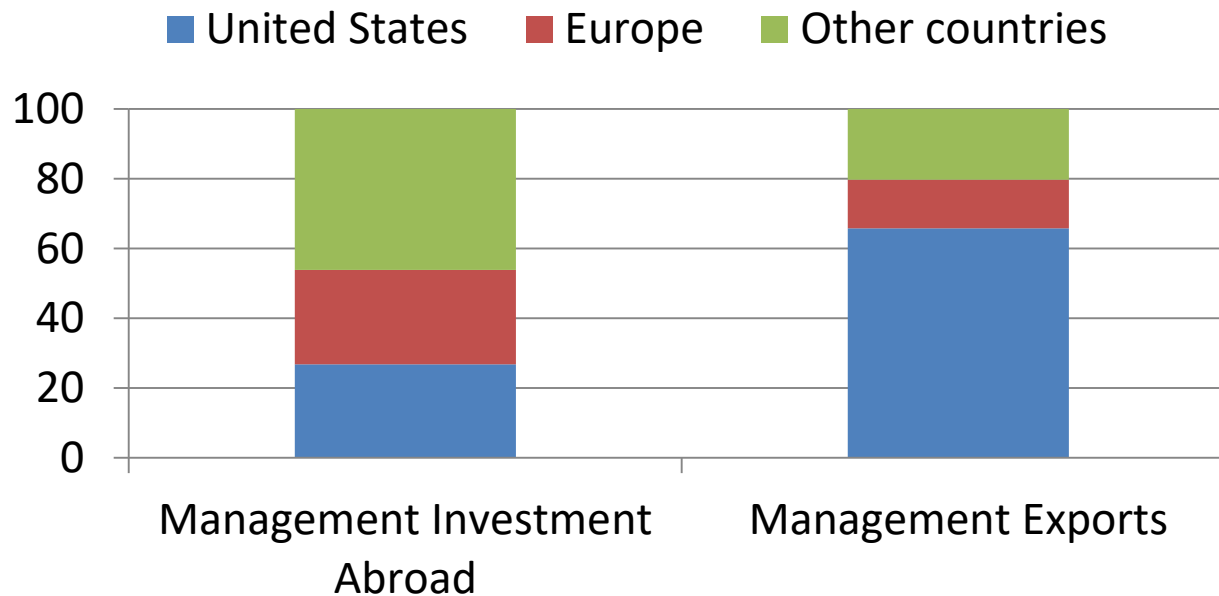


Source: Statistics Canada Tables 376-0060 and 376-0033.



Canada's Management Services Tap into GVCs

(Canadian direct investment position abroad and exports of management services, share by destination in 2012; per cent)

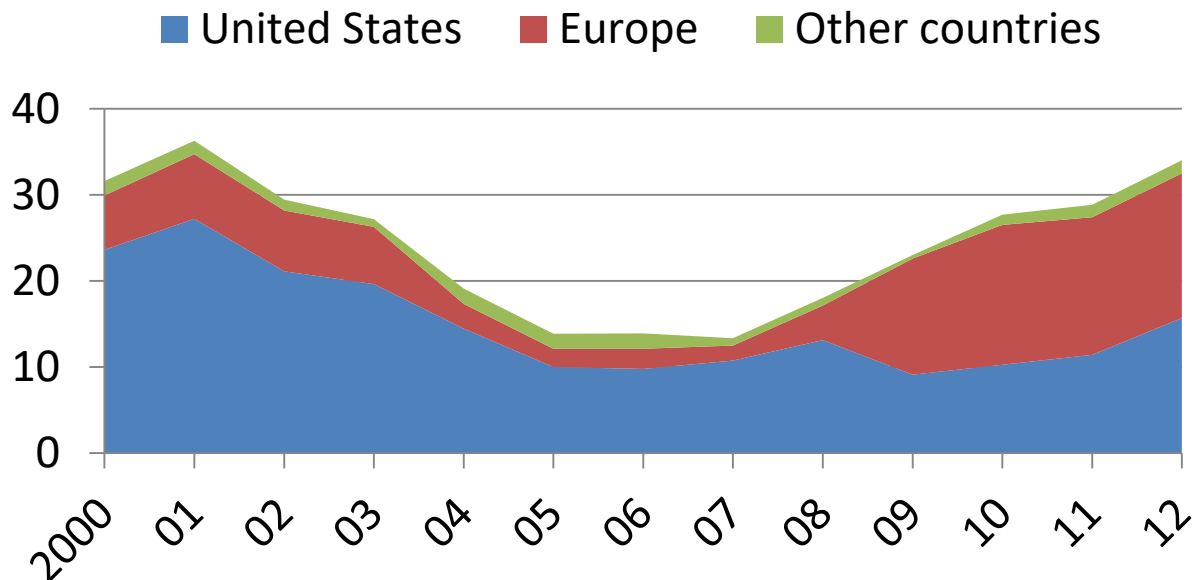


Sources: Statistics Canada Tables 376-0052 and 376-0033.



Canadians Eye Opportunity in European Information and Culture*

(Canadian direct investment position abroad in Info. and Culture industry; \$ billions)



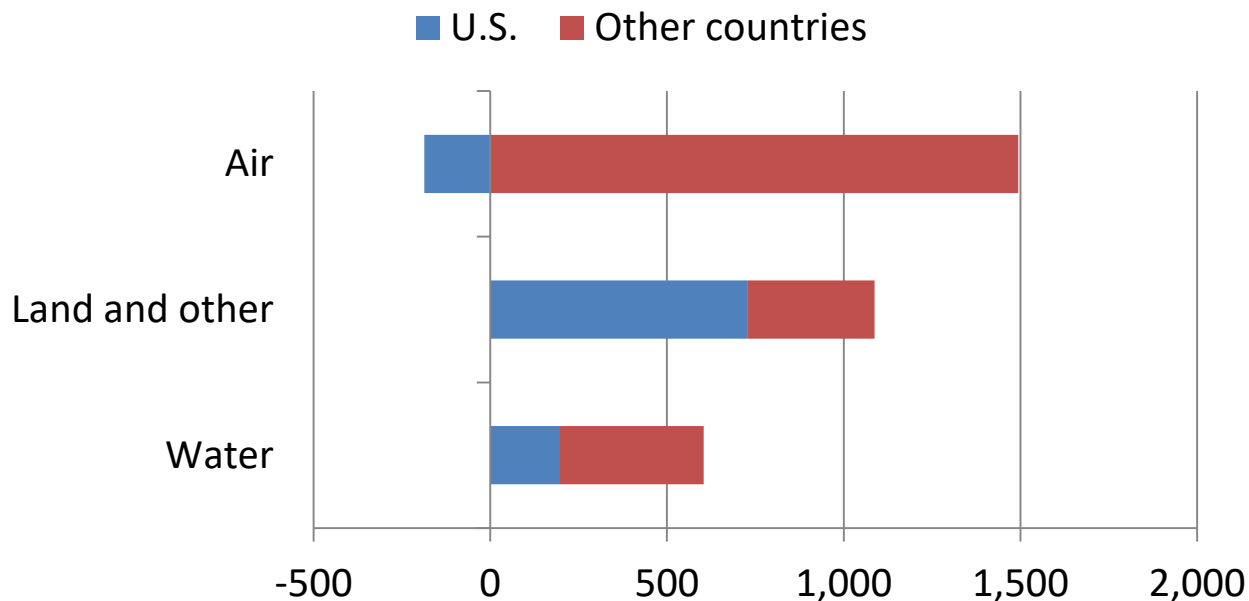
*Sector includes telecommunications, software publishing, data processing/hosting and others.

Source: Statistics Canada Table 376-0052.



Transportation Services Exports Expanding to Other Countries

(level change in value of transportation services exports 2000-2013; \$ millions)

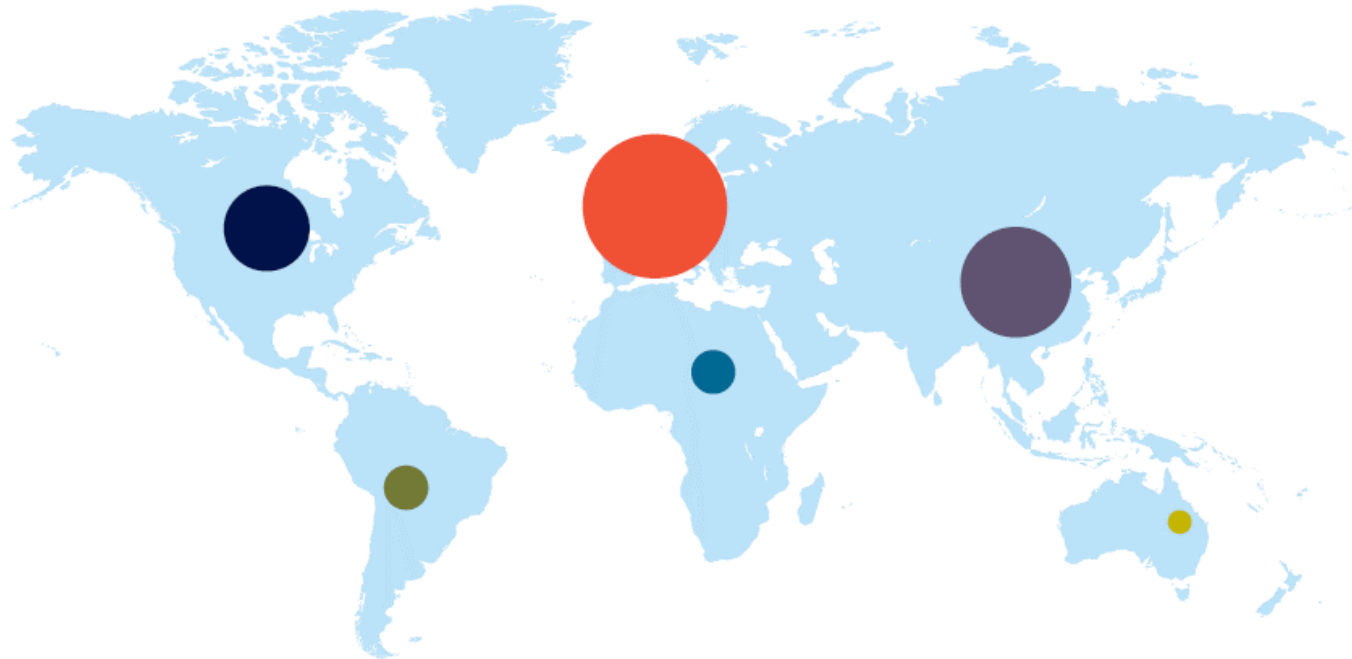


Sources: Statistics Canada Table 376-0032; The Conference Board of Canada.



Who Imports Commercial Services?

(Circle size = relative value of commercial services imports in 2013 in \$U.S.)



Note: Circle size represents relative value of commercial services imports in 2013.

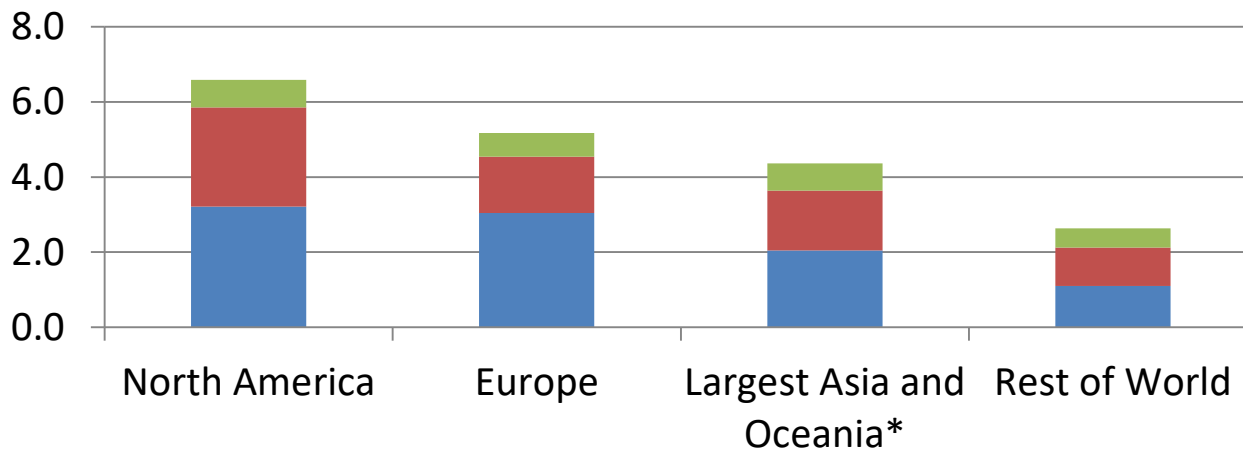
Sources: UNCTAD: The Conference Board of Canada.



North America is Largest Consumer

(Consumption of high-value business services, 2011; US\$ trillions)

- Communications
- Finance, insurance, and intellectual property
- Computer and info., R&D, professional, and technical



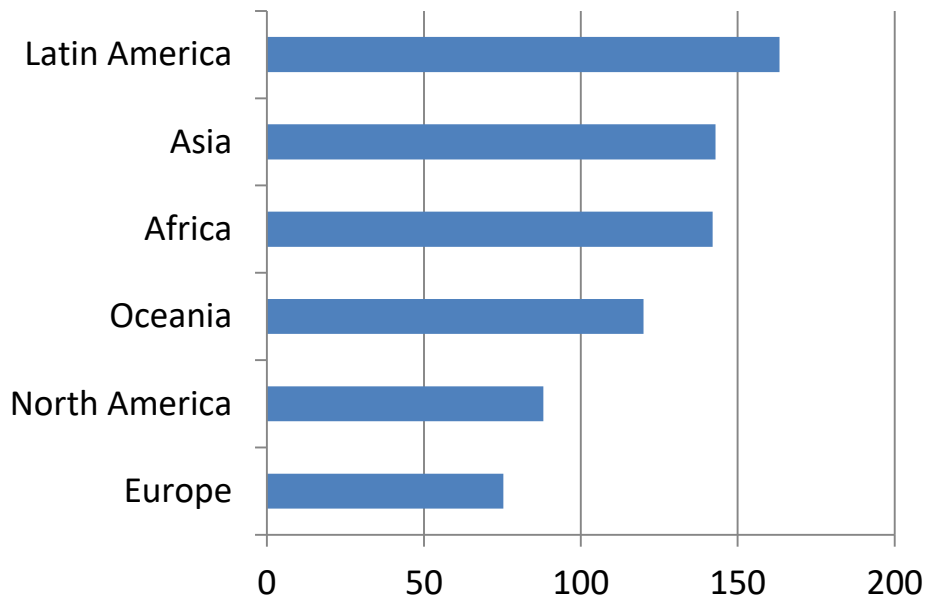
*Major economies of Asia and Oceania: Australia, China, India, Indonesia, Japan, South Korea, Taiwan, Turkey.

Sources: World Input-Output Database; The Conference Board of Canada.



Emerging Markets Have Fastest-Growing Demand

(nominal US\$ growth in commercial services imports, 2005–13; per cent change)



Sources: UNC TAD; The Conference Board of Canada.



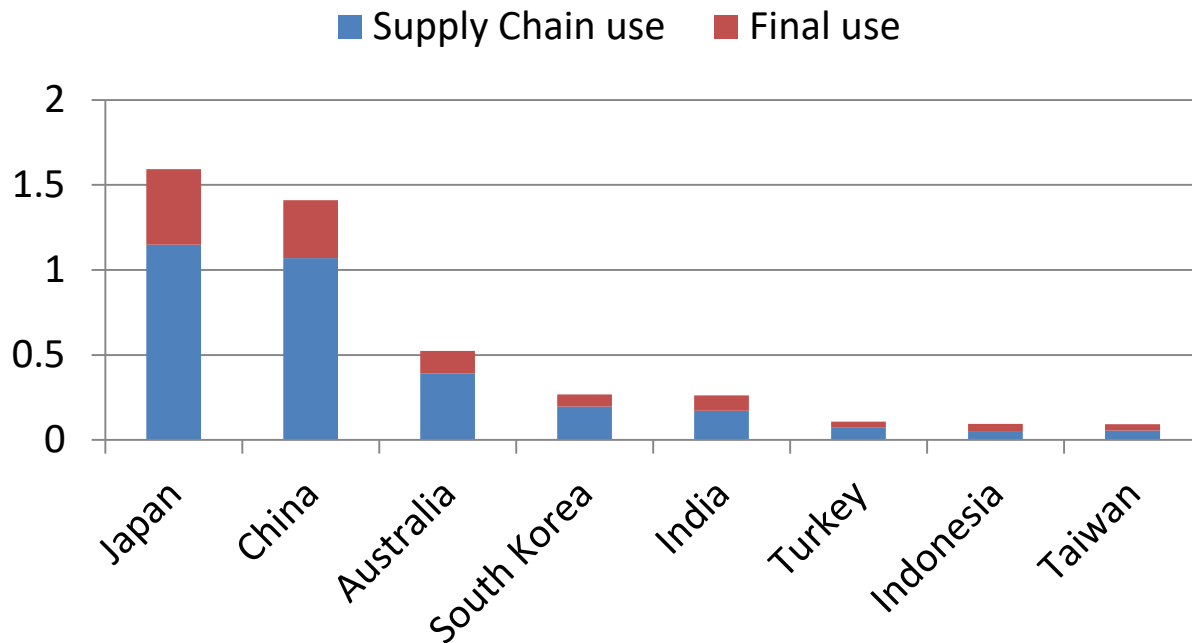
Asia Big Growth in Services Demand

- Asia is 2nd largest (after Europe) and 2nd fastest growing (after Latin America) importer of services in world.
- Similar to N. America and Europe, vast majority of services are used as inputs in production chains.
- Personal presence: Canada tends to sell majority of services via foreign affiliates in Asia, not just via exports.
- Asia has fastest growing global stock of FDI in the world: \$800 billion in 2001, but \$2.5 trillion by 2012.



Japan, China Largest Consumers of High Value Service

(consumption of high-value business services, 2011, US\$ trillions)



Sources: World Input-Output Database; The Conference Board of Canada.



Where Does Canada Sell its Services?

More than half of services exports are destined for U.S.

- Canada's computer and info services have sizable market share in U.S. Imports (17%).

Canada less tapped into Asian markets

- Very few exports, AND
- Very small share of Canada's Direct Investment Abroad

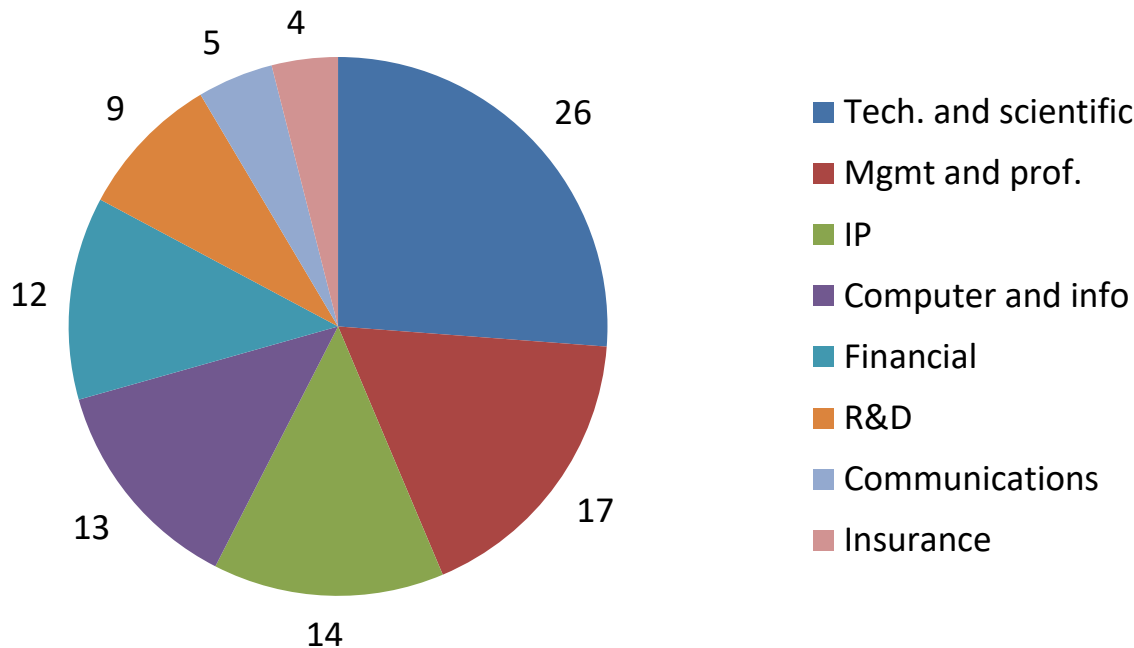
Asia is large and fast-growing

- China shifting to emphasis on services economy
- India needs infrastructure & related services



Europe's High-Value Services Import Mix

(European imports of high-value services, 2013; percent share)

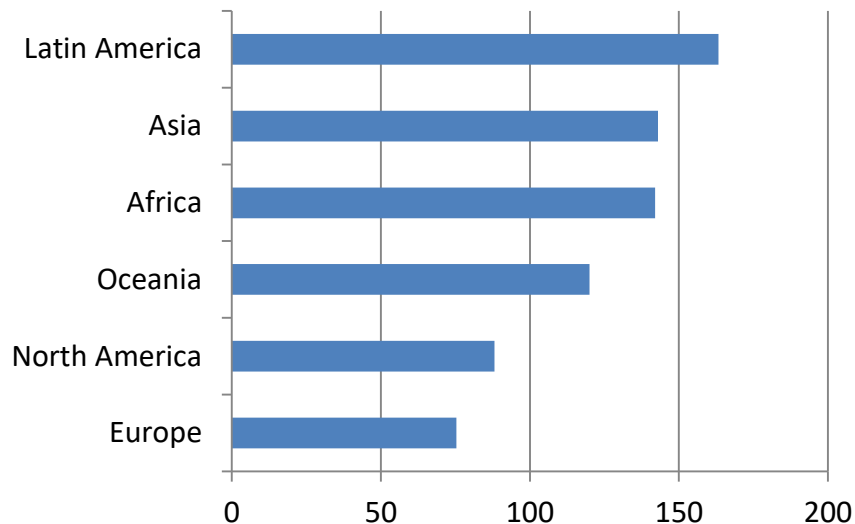


Sources: Eurostat; The Conference Board of Canada.



Emerging Markets Have Fastest-Growing Demand

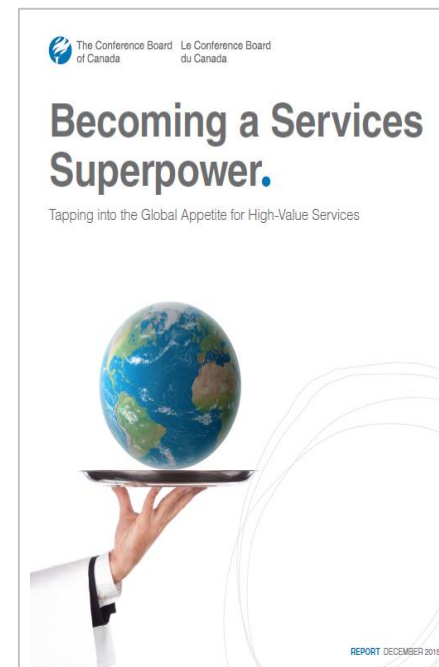
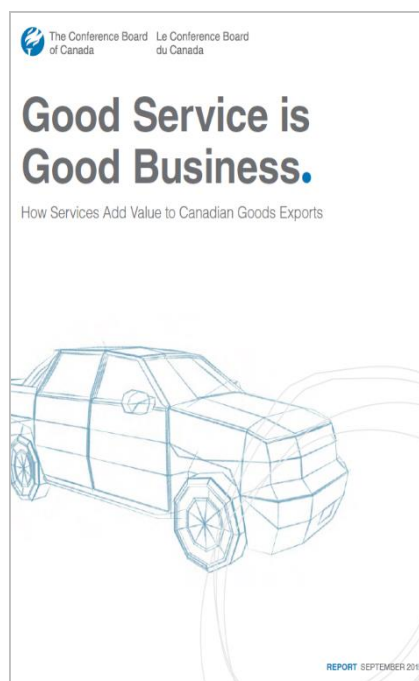
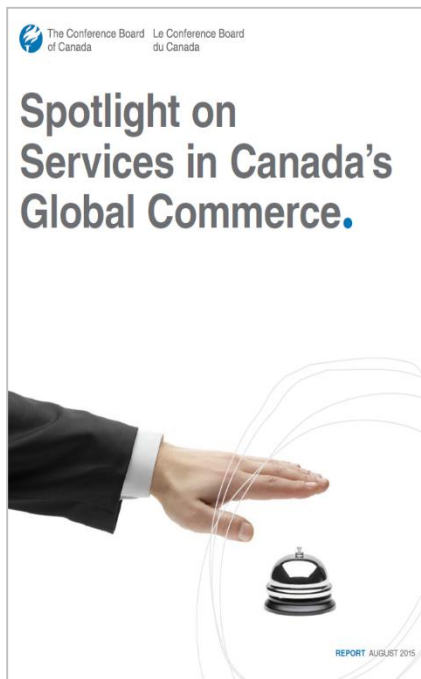
(nominal US\$ growth in commercial services imports, 2005–13; per cent change)



Sources: UNC TAD; The Conference Board of Canada.



Conference Board of Canada -Research Series on Services Trade



Reports available free of charge on Conference Board of Canada website.

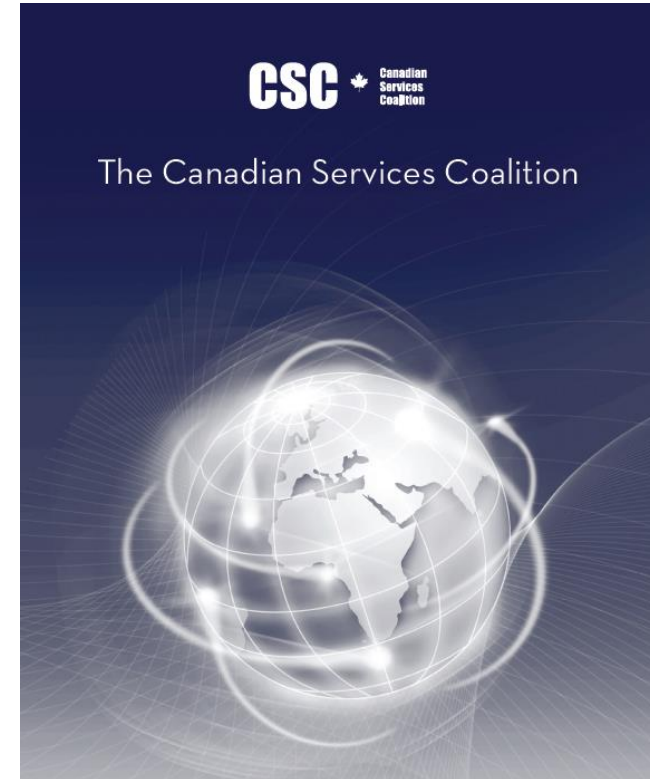


The Canadian Services Coalition (CSC)

Who we are:

The Canadian Services Coalition (CSC)

- Founded in 2006 and backed by the Canadian Chamber of Commerce.
- Provides a strong and cohesive voice to Canadian services industries.
- Promotes liberalization of services markets throughout the world and the removal of trade and investment barriers for the Canadian services sector.
- Updates our members on international negotiations and domestic developments pertaining to the services sector.
- Provides input to the Canadian government and international institutions on matters of international trade and investment for services in multilateral, bilateral and regional agreements.





Canada and Services Exports

- Importance of services to the Canadian economy: from 65% of GDP in 2000 to 70% of GDP in 2012; 78% Canadians employed in the services sectors.
- Canada is one of the largest services exporters in the world-ranking: 18th
- Cross-border exports of services were \$83.3 billion; 15.3% of Canadian total exports; and the real contribution to Canada's exports: 44%
- Foreign affiliates of Canadian companies sold \$162 billion services abroad.
- USA is Canada's major services export market: 53.4% (cf. goods: 73.2%). Other Canadian services markets are EU, China, Japan, Korea.
- Commercial services accounted for 60% of services exports, totalling 50 billion in 2012.

Sources: Statistics Canada; The Conference Board of Canada.



Canada's Participation in GATS/TiSA Negotiations

- Canada has been actively participating in GATS/TiSA negotiations.
- Service negotiations were built-in agenda in the GATS, even before DDA in 2001.
- Canada launched the “Services 2000” to highlight the positions on various services negotiating issues.
- In March 2001, Canada submitted its initial proposals on GATS negotiations – the principles, objectives, negotiating guidelines and procedures, etc.
- Canada has made comprehensive commitments on services in many services sectors/sub-sectors – an open services economy.
- In the meantime, Canada has also reserved its right to limit some services sectors for foreign competition – for example, health, education, culture and social services, etc.



Consultations with Canadians on GATS/TiSA Negotiations

- From 2001 to 2013, Canada constantly revised and improved services offers in **GATS/DDA negotiations**, for example, **professional services** (legal, accounting, auditing, bookkeeping, engineering; temporary movement of business people, transport services, financial services, commercial presence, courier service, etc)
- **Canada conducts full consultations on trade negotiations, including GATS/TiSA**
 - Background or position papers
 - Trade Negotiations Consultations Unit
 - Official notices, public consultations with the business sectors and general public, respond to inputs/submissions
 - Key WTO/GATS/TiSA negotiations, e.g. the WTO Ministerial Conferences



Consultations
Engaging Canadian Stakeholders



Canada's Participation in TiSA Negotiations

- TiSA negotiations under the WTO, started in March 2013 with 21 WTO members, including Canada
- Now TiSA includes 25 WTO members, representing about 2/3 of the world economy, exporting \$3.6 trillion in services in 2013.
- 15 rounds of negotiations took place, and 5 more rounds planned for 2016. The negotiators intend to conclude the TiSA negotiations by the end of this year.
- TiSA parties will revise their offers in May and finish the legal text in July
- More advanced text in TiSA include: e-commerce, localization, telecoms, financial services, and movement of nature persons, etc. – Wikileaks
- TiSA will lead major changes to Canadian banking, telecom, data privacy etc: for example, Canada needs to change foreign ownership in telecoms; TiSA eliminates government monopolies in postal services; TiSA also proposes to bar governments from having requirements to store data locally – privacy issue



Canada's Participation in TiSA Negotiations

- Government of Canada also conducts consultations on TiSA negotiations with Canadian stakeholders – however, less information available to the public
 - Interested parties are invited to contribute views and advise:
 1. identify service export opportunities and barriers in those markets
 2. identify barriers to temporary entry and stay of business persons
 3. identify investment barriers (ownerships, performance requirements, transparency of regulations and other impediments)
 - Business associations (for example, Canadian Coalition of Services Industries) are positive and providing inputs to government negotiators
 - Also received many critical comments: weak transparency, secret negotiations, damage to Canadian public interests, etc.
 - The negotiations and arguments on TiSA are continuing



Canadian Trade Commissioner Service

Created in 1894
Network of more than
1,000 trade
professionals
150 cities around the
world and every
province and territory
of Canada



Four key services:

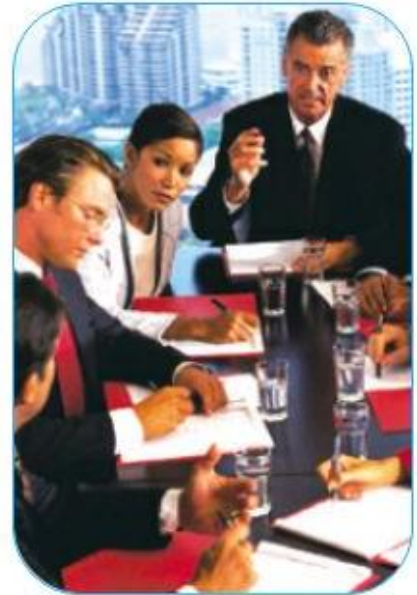
- Assessing Canadian companies' potential in the targeted markets
- Preparing Canadian companies for international markets
- Market Intelligence and finding qualified contacts for Canadian traders and investors
- Assisting in resolving problems and challenges for Canadian companies



Canadian TCS and the Promotion of Canadian Service Exports

Services free-of-charge to promote Canadian exports and Canadian investment abroad

- Market intelligence reports and studies - education, health, ICT, financial services, telecoms, professional services, etc
- Business contacts for potential trade and investment opportunities
- Joint venture or strategic alliance with target markets
- Technology and R&D partnerships in the host countries
- Trade and investment fairs/shows
- Trade and investment relations (including services) between Canada and host countries





Canada-Indonesia Bilateral Trade in Services: Challenges and Opportunities

Canada-Indonesia services trade totalled \$271 million (2011). Canadian exports to Indonesia: \$185 million; Indonesian exports to Canada: \$86 million.

- Canada enjoyed about \$100 million trade surplus of services trade with Indonesia
- Canada exported \$79 million (travel services) and \$71 million (commercial services) to Indonesia; Indonesia exported \$34 million (travel) and \$8 million (commercial) to Canada.
- In 2012, the stock of Canada's FDI in Indonesia was \$3.2 billion while Indonesia invested in Canada at 2 million in the same year. Many Canadian investments in Indonesia are in the service sectors (for example, Manulife, Sunlife, some ICT, mining and engineering companies).

There are challenges and opportunities for the bilateral trade in services – what can be done, particularly for the promotion of Indonesia's services exports?



Canada-Indonesia Bilateral Trade in Services: Challenges and Opportunities

- Indonesia's services sectors are less competitive but with huge potential.
- Indonesia needs to open some services sectors for foreign competition in order to increase their efficiency, competitiveness and export potential.
- Strategic thinking and practical approaches needed to increase services exports:
 - Strong political will to realize/increase the services export potential
 - Coordination and consultations among ministries/agencies and private sector
 - Review of the negative list of investment to improve the investment climate
 - Build the basic infrastructure for services sectoral development
 - Formulate services development strategies and roadmaps for priority sectors
 - Provide training for some professionals and negotiate MRAs with other countries
 - Negotiate better services provisions in GATS/FTAs negotiations, potentially TPP, CEPA, etc
 - Strengthen Trade Attachés and IETC on services – more staff needed
 - Improve the overall quality and standards of services (tourism, health, education, e-commerce, ICT and other professional and business services, etc.)



Group Discussion

Do you now
better
understand the
Canadian
Practices on
Services?

What was the
most
interesting
thing you have
learned from
this module?

Next steps?