

CANADIAN INITIAL GATS SECTORAL/MODAL/HORIZONTAL NEGOTIATING PROPOSALS

General Agreement on Trade in Services (GATS)

CANADIAN INITIAL GATS SECTORAL/MODAL/HORIZONTAL NEGOTIATING PROPOSALS

All Members involved in the WTO services negotiations have noted the increasing role of services industries in economic growth and job creation. The growing importance of the services sector in Canada is leading the transformation of the Canadian economy to a knowledge-based economy.

Governments in Canada have focussed a great deal of attention on creating the appropriate policy frameworks to facilitate the creation and expansion of the Canadian service economy. One of the ways in which Canada can continue to foster development of the knowledge-based economy is to advance the international interests of Canada's service industries. WTO services negotiations offer a way to advance such interests by encouraging governments to foster more internationally competitive service markets.

Canada has tabled an initial negotiating proposal that outlines principles and objectives for the GATS negotiations. It also suggests elements for inclusion in the negotiating guidelines and procedures. The following sectoral/modal/horizontal proposals should be read in conjunction with the initial negotiating proposal. The Canadian principles and objectives for these negotiations are repeated below:

Principles

We recognize the increasingly global nature and importance of service industries and the growing contribution of services exports to the world economy and, specifically, to the Canadian economy. This underlines the importance of a successful conclusion to the current

services negotiations to increase market access for service providers. Expanded, transparent and predictable markets benefit countries, businesses — small, medium and large — and consumers. Services particularly contribute to the development of the knowledge-based economy.

While recognizing the importance of a liberalized services trade environment, it is an underlying tenet of the GATS, found in both the Preamble and Article XIX of the Agreement, that the process of progressive liberalization will take place with due respect for national policy objectives. In particular, the GATS emphasizes the right of Members to regulate and to introduce new regulations on the supply of services within their territories in order to meet national policy objectives. These are important principles of the GATS as they ensure that each Members' ability to implement social and cultural policies is maintained.

The GATS cannot be interpreted as requiring governments to privatize or to deregulate any services. We recognize the right of individual countries to maintain public services in sectors of their choice: this is not a matter for the GATS negotiations. However, in sectors where countries have chosen to undertake specific commitments under the GATS, the mutually-agreed rules of GATS should apply.

Canada also recognizes that the process of progressive liberalization must respect the level of development of individual Members and facilitate increased participation of developing countries in trade in services. Particular account must be taken of the serious difficulties faced by the least-developed countries. It is in the interest of all Members that developing countries are active participants in — and beneficiaries of — these negotiations.

Objectives

Canada reaffirms that the objective of these negotiations is to liberalize trade in services through increased transparency and predictability in services trade regimes and through the provision of effective access to markets while giving due respect to national policy objectives.

Specifically, Canada's objectives at this initial stage of the negotiations are:

1. to obtain improved access to international markets for Canadian service providers;
2. to consider the particular situation of small- and medium-sized service suppliers in the negotiations;
3. to preserve the ability of Canada and Canadians to maintain or establish regulations, subsidies, administrative practices or other measures in sectors such as health, public education and social services;
4. to recognize the importance of the framework of rules in enhancing transparency and predictability for Canadian service exporters, in particular, to continue the work of the

“built-in agenda” of the emergency safeguard mechanism, subsidies, government procurement and domestic regulation (as set out in GATS Article VI.4); and

5. to explore ways to address the interests and concerns of developing countries, in particular, to consider the serious challenges faced by least-developed countries in these negotiations.

Canada also believes that a systematic process of identifying and evaluating likely and significant environmental impacts of trade negotiations is essential, and to this end, will undertake domestically an environmental assessment of the GATS in accordance with Canada’s *Framework for Conducting Environmental Assessments of Trade Negotiations*.

Canada will also not make any commitment that restricts its ability to achieve its cultural policy objectives until a new international instrument — designed specifically to safeguard the right of countries to promote and preserve their cultural diversity — can be established.

These sectoral/modal/horizontal proposals indicate Canadian interests at this stage in the GATS discussions. Canada reserves the right to modify these proposals at any time. These proposals do not prejudge Canada’s position on other service sectors, modes of supply or horizontal issues, nor in any future request or offer process on these or other sectors or modes of supply.

CANADIAN INITIAL MODAL NEGOTIATING PROPOSAL REGULATORY TRANSPARENCY AND PREDICTABILITY

Canada reserves the right to modify this proposal at any time. This proposal does not prejudice Canada's position on other service sectors, nor any future offer on this or other sectors. This proposal should be read in conjunction with the principles and objectives as outlined in Canada's initial negotiating proposal.

Introduction

The vast majority of service industry firms in Canada are small- and medium-sized enterprises (SMEs). Many of these firms have only recently considered entering the international market and formal barriers to trade are "potential" (in the sense that they may not have encountered them directly yet). The availability of information required to enter a foreign market is often a significant problem. The need to improve the transparency and predictability of the regulatory conditions under which international business is conducted is perhaps the most consistent theme that emerges in the course of consultation with Canadian business. For these firms the most significant barrier to trade is often lack of information on the conditions related to:

- entering and operating in foreign markets;
- the procedures to be followed to comply with regulatory requirements in these markets;
- the process available to seek changes to the regulatory environment; and
- the options available for input to or redress from regulatory changes.

The Government of Canada encourages transparency and predictability in regulatory policy in recognition of the wide-ranging benefits that can result. While it is not the only objective, many elements of the Government of Canada's Regulatory Policy address directly, or otherwise encourage, transparency. The Government of Canada requires that its regulatory authorities ensure that:

- Canadians are consulted, and that they have an opportunity to participate in developing or modifying regulations and regulatory programs;
- a problem or risk demonstrably exists and that federal government intervention is justified and that regulation is the best alternative;
- the benefits outweigh the costs to Canadians, their governments and businesses — in particular, regulatory authorities must ensure that the limited resources available to government are used where they do the most good;
- adverse impacts on the capacity of the economy to generate wealth and employment are minimized and no unnecessary regulatory burden is imposed — in particular, regulatory authorities must ensure that:
 - S information and administrative requirements are limited to what is absolutely necessary and that they impose the least possible cost;

S the special circumstances of small businesses are addressed; and
 S parties proposing equivalent means to conform with regulatory requirements are given consideration.

- international and intergovernmental agreements are respected and full advantage is taken of opportunities for co-ordination with other governments and agencies; and
- systems are in place to manage regulatory resources effectively — in particular, regulatory authorities must ensure that:
 - S the Regulatory Process Management Standards are followed
 - S compliance and enforcement policies are articulated, as appropriate; and
 - S resources have been approved and are adequate to discharge enforcement responsibilities effectively and to ensure compliance where the regulation binds the government.

Through these requirements, Government of Canada regulatory policy ensures a high level of transparency and predictability. Transparency has also become a central principle in the multilateral trading system. The WTO agreements contain a wide range of provisions covering transparency. Indeed, the GATS alone contains a number of provisions in this regard including the preamble to the agreement, Articles III, IV, VI and several other elements of the agreement (Reference Paper on Basic Telecommunication and Disciplines for domestic regulation in the accountancy sector).

Proposal

Regulatory policy has evolved since the conclusion of the Uruguay Round. A variety of approaches to transparency reflecting different governmental structures, traditions and capacity are in place in Member states. In the course of the GATS negotiations, Canada will wish to explore current best practices with Members with respect to regulatory transparency and determine whether, on the basis of developments in this area, existing GATS provisions in this area can be enhanced.

CANADIAN INITIAL NEGOTIATING PROPOSAL TEMPORARY MOVEMENT OF NATURAL PERSONS SUPPLYING SERVICES UNDER THE GATS (MODE 4)

Canada reserves the right to modify this proposal at any time. This proposal does not prejudice Canada's position on other service sectors, nor any future offer on this or other sectors. This proposal should be read in conjunction with the principles and objectives as outlined in Canada's initial negotiating proposal.

Introduction

Following extended mode 4 negotiations completed in June 1995, only a relatively small number of Member countries made specific commitments on the temporary movement of service suppliers with respect to Market Access (Article XVI), National Treatment (Article XII) or additional commitments (Article XVIII). Generally speaking, Members made horizontal commitments on intra-corporate transferees (not necessarily in all categories), a fewer number on business visitors, and only a small number on professionals, including those providing services on a contractual basis and unlinked to a commercial presence. Canada made commitments in all three areas.

The international mobility of service suppliers, whether as individuals or employees providing services, has become an increasingly important component of competitive markets for suppliers and consumers alike. It is also important for businesses developing new markets and business opportunities. Access to foreign markets is important not only to large firms that conduct business on a global basis, but also to small- and medium-sized enterprises (SMEs) and individuals providing services on a contractual basis. They make up the vast majority of service suppliers actively exporting in various sectors. Lack of transparency and predictability, including difficulties in obtaining procedural information, frequently affects the ability of all service suppliers to compete in foreign markets. Transparency problems can effectively rule out market access for service suppliers from both developed and developing countries. Therefore, Members should explore ways to strengthen the transparency obligations of the GATS to benefit in particular individual service suppliers, SMEs and the service suppliers from all countries.

Proposal

Given the existence of various barriers to the temporary movement of natural persons, Canada believes that in these negotiations Members should improve their mode 4 commitments, both horizontal and sectoral. This would provide greater access to foreign markets for the services suppliers of developing and developed countries. Canada also thinks that more Members should make commitments on general business visitors and on professionals, including those entering on a contractual basis and not linked to commercial presence. In addition, Canada believes that Members should examine the need for rules to allow for the duty-free temporary admission of "portable tools of the trade" required to carry-out services in foreign markets linked to Mode 4 commitments.

As well, Canada believes that Members should reach agreement on improving the transparency and predictability of existing and new mode 4 commitments. Accordingly, Members may wish to focus *inter alia* on immigration laws and regulations, including procedural information, on temporary movement; available foreign worker programs and their entry criteria; applicable conditions for economic needs tests (ENTs); field instructions or operational guidelines for immigration officers; maximum duration of stay and market access limitations cited in commitments.

Mode 4 is a key issue in these negotiations. India, Japan, the European Union and the United States have recently provided initial views. Canada proposes that all Members now put more attention on the mode 4 issues in these negotiations. It is important that trade policy officials and representatives from relevant regulatory bodies (in Canada's case, this includes immigration and labour market officials) focus on the issues involved. Members should explore options on how they might move forward with mode 4 discussions. Possible ideas include a temporary *ad hoc* group reporting to the Council for Trade in Services, Special Session; discussion in an existing GATS committee; or a seminar similar to the recent tourism services event.

CANADIAN INITIAL NEGOTIATING PROPOSAL SMALL- AND MEDIUM-SIZED ENTERPRISES

Canada reserves the right to modify this proposal at any time. This proposal does not prejudge Canada's position on other service sectors, nor any future offer on this or other sectors. This proposal should be read in conjunction with the principles and objectives as outlined in Canada's initial negotiating proposal.

Introduction

The purpose of this proposal is to encourage consideration in these negotiations of barriers limiting the participation of small- and medium-sized enterprises (SMEs) in the global trade of services.

Importance of service SMEs

SMEs are key contributors to the economic growth and employment in the global economy. They make up more than 95 percent of developed countries' enterprises and account for 60 to 70 percent of their workforce. We believe the situation is quite similar in developing countries. For example, in Latin America and the Caribbean, SMEs also make up more than 95 percent of the total number of business establishments and absorb more than 85 percent of total private sector employment in most countries in the Region. In Canada, SMEs account for almost 60 percent of Canada's private sector employment and 43 percent of private sector GDP.

SMEs predominate in service sectors. In Canada for example, 86 percent of services firms employ less than 50 employees. They are active in exporting services in key sectors such as professional services, computer and related services and environmental services.

The vast majority of service SMEs are realising new opportunities through applications of information technologies. Being on-line makes them automatically global. They are increasingly present in technology-intensive industries, such as information and communications technology, as well as in strategic business services, such as computer software and information processing or human resource development.

The limited number of organizations to effectively voice SME concerns and the wide range of SME interests limits their capacity to defend their collective interests.

Internationalization of service SMEs

In an increasing integrated world, service SMEs will be more active in the global marketplace in order to maintain their job and wealth-creation capability.

Advances in communication and information technology have given them potentially more

efficient tools to operate internationally. They are making use of the Internet's competitive advantages of speed, convenience and reduced costs to enter new markets.

To increase their participation in the international trade, service SMEs have to overcome barriers related to a discriminatory, burdensome and non-transparent regulatory environment. For example, onerous licensing, registration requirements and excessive user fees can create barriers that are particularly burdensome for SMEs.

We also note that smaller firms may have less capacity to devote to activities related to entering and sustaining their activities in foreign markets as they often have less available capital and time than larger firms.

Due to limited resources, SMEs cannot necessarily respond as quickly and effectively to market access barriers as larger firms. The development of Mutual Recognition Agreements (MRAs) that will reduce these resources demands is very important for SME service providers. Members should consider ways to facilitate the development of MRAs.

Transparency

Market access for service SMEs can be strongly hampered by a lack of information on regulatory regimes and requirements.

Modes of supply

Due to their size and resource constraints, we believe that SMEs export services primarily by using mode 1 (cross-border) and mode 4 (movement of natural persons) because these are the least expensive and most effective ways for them to conduct business. However, many countries require businesses to establish a commercial presence before they will allow services to be imported into their market. This makes it very difficult for service SMEs to export to these markets because they cannot afford to establish a commercial presence in the foreign market. In order to help service SME exporters, in the negotiations, Members should explore ways to remove unwarranted mandatory commercial presence requirements on the cross-border supply of a service.

Electronic commerce may be a preferred vehicle of delivery for many service SMEs. To the extent that they establish a commercial presence in foreign markets, entry and exit barriers in foreign markets may be barriers to their effective participation.

CANADIAN INITIAL SECTORAL NEGOTIATING PROPOSAL FINANCIAL SERVICES

Canada reserves the right to modify this proposal at any time. This proposal does not prejudge Canada's position on other service sectors, nor any future offer on this or other sectors. This proposal should be read in conjunction with the principles and objectives as outlined in Canada's initial negotiating proposal.

Introduction

Liberalization of trade in financial services provides benefits to the domestic financial sector, as well as the broader domestic economy. As such, Canada believes that further liberalization of financial services will be advantageous to all WTO Members.

Financial services liberalization can contribute to the strength of domestic financial systems in many important ways: it can strengthen the capital base and promote state of the art management practices in financial institutions, and improve credit quality control and risk diversification. It also encourages domestic capital market innovation that may help channel foreign and domestic savings to productive investments. In addition, by encouraging transparency and the efficient flow of related financial data and market information, liberalization enhances the functioning of this sector. All of this contributes to increased financial sector stability.

Furthermore, financial services are key inputs into all economic activities. Increased competition in the financial sector benefits users of financial services, such as business and individual consumers, by lowering costs, increasing quality and providing a greater variety of products and services.

A liberal financial services regime does not mean an unregulated regime. The GATS provides basic and extensive accommodations for the prudential regulation needed to protect the safety and soundness of financial systems to safeguard the integrity of financial markets and to protect investors. It is Canada's aim throughout the negotiations to make certain that a Member's ability to take measures for prudential reasons, as outlined in the Annex on Financial Services, will not be restricted.

Negotiating Modalities

Canada supports maintaining the practice established during the Uruguay Round of having distinct negotiations regarding financial services. The nature of specialized regulation in the sector, as well as its importance to the economy and macroeconomic stability, warrants the creation of a specific negotiating group for financial services. The direct participation of financial sector experts in the negotiation will ensure that the trade rules take into account the unique aspects of this vital sector.

Canada supports using the Committee on Trade in Financial Services (CTFS) as the forum for

these distinct negotiations. Canada believes that the new function of the CTFS would not preclude it from managing housekeeping issues that would normally be addressed by the committee.

The negotiations should be conducted through the most effective and pragmatic means possible, such as through model schedules, request–offer or other suitable means, including a mixture of approaches if appropriate.

Objectives

Canada's objectives for the GATS 2000 round of financial services negotiations include:

- expanding and strengthening market access and national treatment commitments and achieving further reductions in barriers to trade in financial services. Negotiations should examine all four modes of supply (cross-border, consumption abroad, commercial presence, and movement of natural persons) with the aim of improving and expanding liberalization commitments. In addition, scheduled commitments may have to be expanded in certain modes, particularly cross-border supply and consumption abroad, to reflect technological advances. The impact of the development of electronic commerce is particularly relevant in this context.
- furthering the benefits of liberalization by addressing certain ambiguities in the GATS framework as it applies to financial services. For example, definitional or classification problems may result in uncertainty as to the scheduling and interpretation of commitments. As such, we encourage all Members to use the classification list outlined in the Annex on Financial Services when scheduling commitments in financial services.
- clarifying transparency disciplines to complement any advances made in market access and national treatment commitments. While recognising the work being done by the Working Party on Domestic Regulation (WPDR) in this area, we believe that disciplines on transparency designed according to the particular needs of the financial sector will need to be considered.
- recognising the special needs and interests of developing Member countries. As such, Canada supports facilitating greater liberalization by allowing Members to phase in commitments over a specified period. Although a method for phasing in commitments will have to be agreed upon, Canada supports further exploration of this matter.

CANADIAN INITIAL SECTORAL NEGOTIATING PROPOSAL ENVIRONMENTAL SERVICES

Canada reserves the right to modify this proposal at any time. This proposal does not prejudice Canada's position on other service sectors, nor any future offer on this or other sectors. This proposal should be read in conjunction with the principles and objectives as outlined in Canada's initial negotiating proposal.

Introduction

Further to our general negotiating position tabled in accordance with the "Road Map" exercise, Canada submits this initial proposal on environmental services for the consideration of WTO Members.

Importance of Environmental Services

The environment industry, particularly its service component, exerts multiplier impacts across all sectors of the economy. It is considered to be a knowledge-based, enabling, high valued-added, growing component of the new economy. Over the years, there has been growing worldwide recognition of the importance of environmental services to improve environmental protection, remediation and prevention. This new context has given rise to an increasing global demand for environmental products and services which has been mainly fuelled by the existence and enforcement of domestic environmental regulations and greater consumer and community awareness. As a result, a global market for environmental services has boomed during the nineties accounting for about 50 percent of total demand of environmental goods and services.

For most WTO Members, in particular for developing countries, substantial benefits can be derived from greater trade liberalization of environmental services in the context of GATS negotiations. A wider access to foreign markets as well as improving the current framework of rules allow greater transparency and predictability for both small and large environmental services providers. It allows service exporters to diffuse their knowledge and technical expertise worldwide while importers benefit from a broad range of environmental services at lesser costs. In this context, it is likely that trade liberalization will lead to potential win-win scenarios, considering the global nature of environmental issues. There are two main types of win-win scenarios that can be generated by increased liberalization: environmental protection gains (e.g., healthier environment) and economic development gains (e.g., diffusion of expertise and development of local skills). The magnitude of these expected benefits, however, remains linked to the existence of domestic institutional and legal frameworks.

An important aspect of the environmental services sector is the regulatory framework in which this sector operates. The GATS affirms Members' right to regulate. It also obliges Members to be transparent about their regulations. Canada encourages Members to increase their regulatory transparency in the area of environmental services.

Sectoral Coverage

Environmental services are defined according to the current W/120 classification as follows:

- sewage services;
- refuse disposal services;
- sanitation and similar services; and
- other (e.g., cleaning services of exhaust gases, nature and landscape protection, etc.).

Canada recognizes that there are related services found elsewhere in the W/120 that are important to the delivery of environmental services, such as technical testing and analysis services, scientific and technical consulting services, engineering services and construction services.

Extensive discussions have taken place recently in the Committee on Specific Commitments on the issue of “core” versus “cluster” environmental services. In our view, this discussion is primarily about classification of environmental services. However, the discussion on clusters has also been important for identifying related environmental services that exist in the W/120. We believe it is important for Members to seek greater liberalization for both the activities contained in the core list of environmental services as they are currently defined in the W/120, as well as in other related sectors (e.g., technical testing and analysis, scientific and technical consulting, engineering and construction). Clusters should be used primarily in the negotiations as a “check list”.

Proposal

Liberalization of environmental services is paramount for a number of goods and services industries. The Canadian environmental service sector is competitive and knowledge intensive and is open in all sub-sectors of environmental services of the GATS. However, there are still many WTO Members who maintain a range of

barriers affecting trade and investment which are likely to be an inhibiting factor in the potential growth of this industry.

During the ongoing negotiations, there is an opportunity for Members who have taken no commitments in the core list of environmental services sector to make bound commitments in all sub-sectors and modes of delivery. For the 49 Member countries who have commitments in the core list, they should aim at reducing or eliminating existing restrictions on national treatment and market access and broadening their commitments to related services. The most significant categories of restrictions are those related to the lack of transparency of regulatory regimes and practices, investment/establishment, entry and stay of services managers, professionals and experts and licensing requirements. A combination of these barriers can also have a “multiple barrier” effect across sectors. The cost of maintaining barriers in the environmental service sector may not only have a significant impact on costs and the variety of

services provided, but act as a disincentive for the global diffusion of environmental technology, skills and expertise.

CANADIAN INITIAL SECTORAL NEGOTIATING PROPOSAL PROFESSIONAL SERVICES

Canada reserves the right to modify this proposal at any time. This proposal does not prejudice Canada's position on other service sectors, nor any future offer on this or other sectors. This proposal should be read in conjunction with the principles and objectives as outlined in Canada's initial negotiating proposal.

Introduction

The purpose of this proposal is to stimulate discussions toward seeking improved conditions for the treatment of professional services in the context of the current round of the GATS negotiations.

Importance of professional services

Over the past decade, there has been a marked increase in trade in professional services, particularly on a cross-border basis. This increase is due in part to the recognition of the importance of this sector as contributing to inward investment and to overall economic growth in both developed and developing countries alike, either through the involvement of professions in direct delivery of services (legal or accounting advice to consumers and companies, etc.) or as necessary inputs to broader development activities (engineering, architectural, urban planning services to construction, mining and environmental projects, etc.).

Despite their growing importance, it is widely evident that trade in professional services by foreign businesses and, in particular, individual professional service providers continues to be hampered by a variety of regulatory measures. The protection of the consumer, as well as the need to ensure competency and quality of service, are paramount considerations that underlie many regulations. However, the extensive differentiation of regulations and their application often constitutes serious impediments to trade.

Sectoral Coverage

The following sub-sectors are included for consideration:

- engineering services (including integrated engineering);
- architectural services;
- urban planning and landscape architectural services;
- accounting, auditing and book-keeping services;
- taxation services (excluding legal services);
- foreign legal consultancy services (advisory services on foreign and international public law);
- real estate appraisal services;
- management consulting services; and
- land surveying services.

Proposal

The following is an illustrative checklist of issues that Canada believes should form part of the GATS negotiations. Improving conditions for the treatment of professional services is an important area for renewed negotiating efforts. These efforts could be concentrated on a number of inter-related fronts that are essential for any further expansion and liberalization in trade in professional services.

- National treatment and market access restrictions: seek improvements in the quantity and quality of commitments across modes 1, 2 and 3. Seek the elimination of overt discriminatory requirements in the form of nationality and citizenship requirements and alternatives to permanent residency and residency to the extent that other less restrictive means are available (i.e., collaboration with locals, bonding requirements to ensure recourse and agreements on cross-border disciplinary actions). Canada has made a number of improvements in this area including the development of licensing regimes to facilitate access for a number of foreign service professionals (legal, engineering, architectural services).
- Facilitating entry (mode 4) of professional service providers: seek improvements in the coverage for the temporary entry and stay of foreign professions. Canada has contributed a separate proposal on mode 4.
- Mutual recognition of credentials: examine ways to encourage the development of mutual recognition agreements between professional regulators and to ensure participation of all WTO Members as a means to facilitate and improve access to foreign markets. The possibility of extending the “Guidelines for Mutual Agreements or Arrangements in the Accountancy Sector” to professional services in general could be a good starting point.
- Domestic Regulation (GATS VI:4): transparency assumes considerable importance given the highly regulated nature of most licensed professions and the scope of administrative discretion in the operation of licensing regimes. Canada is committed to continuing to work within current and other bodies as appropriate to improve the openness of domestic regulatory regimes. Canada will also continue to work toward the development of general disciplines with the possibility of developing specific disciplines to accommodate specific characteristics of individual professions. In this regard, Canada has expressed interest in examining the following professional services: engineering, architecture, legal, urban planning, real estate appraisal and land surveying.
- Tools of the trade: examine the need for rules to allow for the temporary admission of professional equipment necessary to carry out the service in a foreign market.

CANADIAN INITIAL SECTORAL NEGOTIATING PROPOSAL TELECOMMUNICATION SERVICES

Canada reserves the right to modify this proposal at any time. This proposal does not prejudge Canada's position on other service sectors, nor any future offer on this or other sectors. This proposal should be read in conjunction with the principles and objectives as outlined in Canada's initial negotiating proposal, including in areas related to Canada's ability to achieve its cultural policy objectives.

Introduction

The rapid pace of technological innovation in the provision of telecommunication services is transforming economies and impacting on societies. Canada and other countries that have liberalized their telecommunication services markets have seen prices fall and new services quickly made available to both business and consumers. The development and wide availability of affordable, innovative and high-quality telecommunication services is a key challenge for many WTO Members.

Growing recognition by governments that competitiveness is increasingly dependant on innovative and cost-effective telecommunications services has led to telecommunications deregulation and to liberalization of the international trade environment, including most recently under the 1997 Agreement on Basic Telecommunications. In many countries, including Canada, the market for telecommunications services is now characterized by the replacement of monopolies by dynamic competition, including from foreign suppliers.

Canada, like many other countries, has put in place a regulatory regime intended to stimulate competition in the marketplace while making telecommunications services accessible and affordable to all its citizens. As a consequence, Canada has among the lowest prices, and the highest overall telephone penetration rates, in the world. Virtually all Canadian citizens and businesses have Internet service available at prices that are among the lowest in the world, and high speed service will soon be available to three quarters or more of Canadians. This is helping to further the development and expansion of e-commerce. As countries liberalize their telecommunication services markets, they can expect to experience similar important economic and social benefits.

As the process of market liberalization continues and grows, the international market for telecommunications services will continue to expand rapidly, to the benefit of all WTO Members. The telecommunications services sector in Canada is growing at three times the rate of the economy as a whole, and liberalization of international telecommunications markets has created opportunities for Canadian service suppliers in overseas markets. Canada also has a highly sophisticated telecommunications equipment sector, which has seen its export opportunities increase in liberalized telecommunications services markets as these make the necessary infrastructure investments to introduce or expand service.

Proposal

Canada promotes liberalization of markets for telecommunications services. Canada urges those Members that have not made commitments in the area of basic telecommunications and value-added telecommunications, or that have made limited commitments or commitments with long phase-in periods, to make commitments and to accelerate liberalization.

CANADIAN INITIAL SECTORAL NEGOTIATING PROPOSAL TOURISM AND TRAVEL RELATED SERVICES

Canada reserves the right to modify this proposal at any time. This proposal does not prejudge Canada's position on other service sectors, nor any future offer on this or other sectors. This proposal should be read in conjunction with the principles and objectives as outlined in Canada's initial negotiating proposal.

Introduction

As with nearly all Members, the economic benefits of tourism for Canada are vast. In 1999, total tourism revenues for Canada surpassed the \$50 billion mark, up almost 7 percent from the year before. Of the total industry revenues, the Canadian domestic market accounted for 70 percent or \$34.8 billion. As a percentage of the total economy, tourism gross domestic product at factor cost reached 2.5 percent or \$20.3 billion in 1999. Tourism has been and continues to be seen as a leading growth sector and job creator in the Canadian economy. Tourism revenues directly generated 524 300 jobs in 1999, an increase of 1.2 percent over the previous year. However, overall employment in all industries in the sector reached approximately 1.4 million jobs in 1999.

Tourism is an amalgam of parts of a number of separate industries. To varying degrees, it includes transportation, accommodation, food and beverage services, travel agency services and recreation and entertainment industry groups. Thus, tourism is not just one industry, but a cross-cutting multi-industry sector. In 1999, the total number of tourism establishments in the tourism industries' aggregate was more than 158 000, the majority (98 percent) of which are small- and medium-sized businesses (SMEs).

Aside from inbound tourism exports, other tourism expertise developed by Canada with the potential for export includes leadership in the areas of sustainable development practices; resort development and design; hotel management services; parks and golf course development; and ecotourism.

Proposal

Despite the fact that the tourism sector attracted more commitments by Members than any other sector at the end of the Uruguay Round, implementation of these commitment has sometimes fallen short and significant restrictions still remain.

While this list is not exhaustive, included among the most common restrictions appearing in schedules are economic needs tests, citizenship requirements, size limitations for establishments, restrictive licensing practices and fixed equity limits.

Canada would encourage other Members to focus negotiations on the W/120 classification of

Tourism and Travel related services with the objective of fully implementing existing commitments and liberalizing remaining restrictions to the extent possible. Canada would suggest that individualized country checklists could be employed to deal with the more comprehensive nature of tourism as an industry.

CANADIAN INITIAL SECTORAL NEGOTIATING PROPOSAL BUSINESS SERVICES (OTHER THAN PROFESSIONAL SERVICES AND COMPUTER AND RELATED SERVICES)

Canada reserves the right to modify this proposal at any time. This proposal does not prejudice Canada's position on other service sectors, nor any future offer on this or other sectors. This proposal should be read in conjunction with the principles and objectives as outlined in Canada's initial negotiating proposal.

Introduction

This proposal covers the following sub-sectors of the business services sector of the W/120 Services Sectoral Classification List: research and development services, real estate services, rental/leasing services without operators and other business services. It aims at reducing unnecessary trade barriers without affecting the quality of service and the protection of consumers. Canada proposes therefore that the professional services and computer and related services sub-sectors be excluded from this negotiating proposal. They will be the subject of separate negotiating proposals.

The sub-sectors of the business services sector are among the fastest growing sectors of the "new economy". These so-called "business to business" services include, not only professional services and computer and related services, but also services as diverse as R&D services, market research services, consulting services, technical testing and analysis and maintenance and repair of equipment services. All they have in common is that they provided an input to businesses.

Not only are business services among the most dynamic of the traded services today, but they also act as a catalyst for change and competitiveness in other services sectors of the economy. They are also an important factor in overall economic performance and competitiveness, particularly for small- and medium-sized enterprises. (SMEs). SMEs make up more than 95 percent of developed countries' enterprises and account for 60 to 70 percent of their workforce. The situation is quite similar in developing countries. In Canada, SMEs account for some 60 percent of employment and 43 percent of GDP. They are also predominantly present in the services sector.

As opposed to professional services, most business services are much less regulated. Member country commitments are often more liberal than in other services sectors. No doubt for this reason, a significant number of Members have made commitments in the sub-sectors of business services proposed for coverage, including developing country Members — the majority of which have made quite liberal commitments, especially in the other business services sub-sector. Of the 130 plus WTO Members, more than 70 have made commitments under the other business services category; 46 have made commitments under the research and development services and rental/leasing services without operators categories; and 28 have made commitments with respect to real estate services. Canada's own Schedule of Specific Commitments is relatively open with respect to these business services.

Trade in these sub-sectors is often carried out across borders or by service providers travelling for short periods of time to the location of the consumer. Furthermore, technological advances, in particular electronic commerce, provide new means for small- and medium-sized business services suppliers, including those from developing country Members, to export their services by making cross-border provision of certain business services more practical and technically easier.

Most of the remaining restrictions in WTO Members' schedules are to be found under modes 1 and 3. These include: citizenship and residency requirements, as well as restrictions on ownership, equity and form of establishment. In our view, most of these could either be eliminated or replaced by less restrictive requirements. Furthermore, a sizable number of Members have not bound their commitments.

Proposal

Canada proposes that WTO Members consider:

- increasing their commitments in the area of research and development services, real estate services, rental/leasing services without operators and other business services;
- broaden and deepen existing sectoral commitments, with particular emphasis on the elimination of: (a) any remaining cross-border supply limitations given the increasing importance of this mode of delivery for these sub-sectors; (b) limitations on commercial presence where Member countries have been reluctant to make commitments;
- explore how to improve and facilitate the temporary movement of natural persons for the provision of specific services; and
- improve the level of transparency with respect to domestic regulation.

CANADIAN INITIAL SECTORAL NEGOTIATING PROPOSAL COMPUTER AND RELATED SERVICES

Canada reserves the right to modify this proposal at any time. This proposal does not prejudge Canada's position on other service sectors, nor any future offer on this or other sectors. This proposal should be read in conjunction with the principles and objectives as outlined in Canada's initial negotiating proposal.

Introduction

In recent years, the computer and related services sector has experienced enormous growth, and has witnessed the introduction of a number of new entrants, interests and types of services available to consumers and businesses alike. In 1997, the WTO estimated that the world market for the sector was worth some US \$375 billion, representing a 10 percent growth from 1995 to 1997. Canadian exports of computer and related services for example, totalled \$1.6 billion in 1999, thereby permitting the sector to grow at an output growth rate six times that of the overall Canadian economy.

Four years later, these numbers have grown, in large part due to the presence of an open, competitive and largely unregulated commercial environment. A total of 62 GATS schedules contain commitments on computer and related services, none of which list MFN exemptions specific to the sector. Where sector specific limitations exist, they most frequently relate to commercial presence (mode 3), and concern restrictions on foreign investment.

The sector has also benefited from technological advance in the area of telecommunications and electronic commerce. The Internet in particular, has created a new means of doing business for computer and related services companies, providing them with easier access to global markets and the means to develop new and innovative goods and services.

In recent years, the distinction between computer and related services, and basic and value-added telecommunications services has grown less distinct, leading to some uncertainty about the manner in which existing GATS commitments apply to certain varieties of emerging services such as data warehousing and application hosting. Canada proposes that WTO Members examine how we can achieve greater clarity in this area, for example with respect to whether certain electronically-delivered services should fall under computer and related services or telecommunications services.

Furthermore, the contribution and significance of computer and related services to the overall economic performance and competitiveness of the world economy makes it crucial that Members pay attention to the way in which regulatory measures applied by governments in other sectors can have an impact on expansion in the computer and related services sector. Moreover, the presence of a variety of non-sector specific practices which include rules on temporary entry and technical standards may have an effect on the real value of market access commitments in computer and related services. Improved market access commitments from

WTO member countries in a wide variety of sectors may therefore help to promote trade in computer and related services.

For developing countries, computer and related services are particularly important via mode four delivery. Canada therefore encourages Members to improve their commitments for the temporary entry of Information Technology workers not linked to commercial presence.

During the Uruguay Round, Canada committed itself to fully open markets (“none”) for both market access and national treatment, except for mode 4 of market access, where the commitment is “unbound, except as indicated in the horizontal section.”

The temporary entry of senior computer specialists is included in Canada's horizontal mode 4 commitments and facilitated temporary entry for certain information technology workers is allowed under Canada's general immigration provisions.

Objectives

Canada encourages all Members to:

- Make new commitments on computer and related services;
- Broaden and deepen existing sectoral commitments, with particular emphasis upon the elimination of: (a) any remaining cross-border supply limitations given the increasing importance of this mode of delivery for the sector; (b) limitations on commercial presence where member countries have been reluctant to make commitments;
- Examine further how trade rules reflect the current nature of business activity in the computer and related services sector.

CANADIAN INITIAL SECTORAL NEGOTIATING PROPOSAL DISTRIBUTION SERVICES

Canada reserves the right to modify this proposal at any time. This proposal does not prejudge Canada's position on other service sectors, nor any future offer on this or other sectors. This proposal should be read in conjunction with the principles and objectives as outlined in Canada's initial negotiating proposal.

Introduction

Distribution services constitute the principal link in the supply chain between producers and consumers. The performance of this sector has a direct influence on the range of goods and services available to businesses and consumers at competitive prices.

In the GATS sectoral services classification list, distribution services include commission agents' services, wholesale trade services, retailing services, franchising and other.

The distribution services sector, particularly wholesale and retail, accounts for a large share of economic activity in both developed and developing countries — often in the range of between 10 to 20 percent of GDP. It is a sector that is characterized by high labour intensity.

Small- and medium-sized businesses (SMEs) are particularly active in the retail sector. Trade in distribution services, especially for wholesale and retail, has traditionally been characterized by commercial presence and undertaken by larger firms. However, advances in electronic commerce have created new trading opportunities for SMEs to engage in cross-border delivery of distribution services. The efficient operation of distribution services depends on other services such as transportation services.

Distribution services are often highly regulated. While the GATS affirms Member rights to regulate, it also obliges Members to be transparent about their regulations. Canada encourages Members to increase their regulatory transparency in the area of distribution services.

Canada notes the importance of industry associations in the distribution services sector in helping to maintain and better inform domestic regulatory practices where consumer, social and business issues are concerned. In this respect, Canada notes the importance of strengthening such associations, particularly in developing countries and least-developed countries.

Canada's commitments in this sector are significant. Under the distribution services that we have scheduled, Canada has listed very few limitations.

Proposal

In the GATS negotiations, Canada believes that Members should:

- improve the quality and quantity of specific commitments in their schedules for distribution services to at least the Canadian level;
- improve the level of transparency for distribution services with respect to domestic regulation;
- secure improved mode 3 commitments, particularly with regard to the type of corporate entities that firms can establish abroad; and
- secure commitments for cross-border trade that are not limited by commercial presence requirements.

Canada supports facilitating greater liberalization by allowing Members to phase-in commitments over a specified period. Although a method for phasing in commitments will have to be agreed upon, Canada supports further exploration of this matter in this sector.

CANADIAN INITIAL SECTORAL NEGOTIATING PROPOSAL OIL AND GAS SERVICES

Canada reserves the right to modify this proposal at any time. This proposal does not prejudge Canada's position on other service sectors, nor any future offer on this or other sectors. This proposal should be read in conjunction with the principles and objectives as outlined in Canada's initial negotiating proposal.

Introduction

Canada continues to conduct extensive consultations on issues that may be subject to negotiations. Although the process is still ongoing, Canada would like to share its preliminary thoughts concerning the GATS negotiations and oil and gas services.

For the purpose of this paper, oil and gas services include a wide range of services, such as: drilling services; derrick erection; repair and dismantling services; services necessary for oil or gas extraction such as well casing; cementing, pumping and plugging wells; as well as specialized fire extinguishing services. Small- and medium-sized businesses (SMEs) as well as large multinationals are involved in this sector.

The global market for oil and gas services is increasing rapidly. Market restructuring, technological advances and economic growth all point to an increased demand for oil and gas products, and the subsequent demand for the services to ensure a supply of these products.

Providing improved market access in this sector can have many beneficial effects for both developed and developing countries, including:

- increased innovation in the provision of oil and gas services;
- greater efficiencies that reduce the cost of oil and gas products to the consumer can also reduce the environmental impact resulting from the use of these products;
- more widespread use of environmentally friendly technology;
- additional opportunities to develop work force skills and management methods; and
- additional investment in technology, as well as increased opportunities for co-operation in the development of advanced technology.

Liberalization of oil and gas services does not mean an unregulated regime. For example, governments will continue to regulate to ensure performance and quality

controls to preserve the environment and to protect consumers. However, rules should be clearly defined, non-discriminatory and transparent.

In many countries, including Canada, governments are vested with the ownership of natural resources in trust for their citizens. Nothing in these negotiations will address the ownership of resources.

Only 33 Members have taken commitments with respect to the services incidental to mining. Eleven of those Members have limited their commitments to advisory or consulting services. Canada has taken commitments on services incidental to mining.

Typical obstacles to trade in energy services include:

- restrictions for the entry and stay of energy services managers, professionals and experts;
- restrictions for the entry of the equipment and tools needed to provide the service;
- arbitrary business and licensing requirements; and
- absence of transparency of regulatory framework.

Proposal

Canada believes that all services in the oil and gas sector can be found in the W/120. In addition to services incidental to mining, different related oil and gas services may be included in real estate services, rental/leasing services, technical testing and analysis services, services incidental to energy distribution, related scientific and technical consulting services, and construction and related engineering services. The current classification has certain merits and logic (e.g., all engineering services should be grouped together, irrespective whether it is civil, electrical or energy-related) and often, as is the case for engineering, it is a better reflection of the legal reality (i.e., regulates services of a same nature, not according to specialization areas). Services related to the sector could still be subject to a special “cluster” or “checklist” that Members may use as an aide-memoire during the negotiations.

By its proposal, Canada wants to encourage WTO Members to broaden and deepen commitments for the provision of oil and gas services. All four modes should be examined for greater liberalization.