

SERVICES TRADE: MODES OF SUPPLY SNAPSHOTS¹

¹ All diagrams and international statistics came from the WTO Secretariat. Accessed August, 2005.

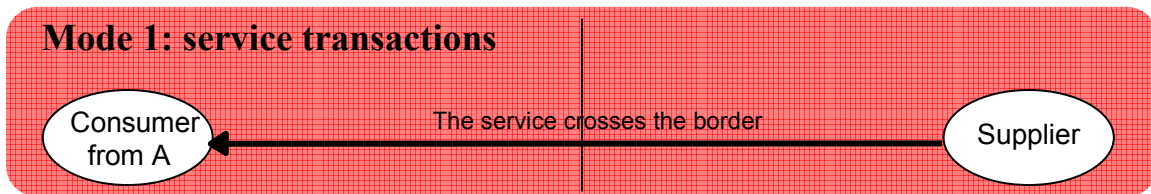
<< http://www.wto.org/english/tratop_e/serv-e/cbt_course_e/c1s3pl_e.htm >>

Canadian statistic supplied by Statistics Canada and International Trade Canada, Trade and Economic Analysis Division

SERVICES TRADE: CROSS-BORDER SUPPLY (MODE 1)

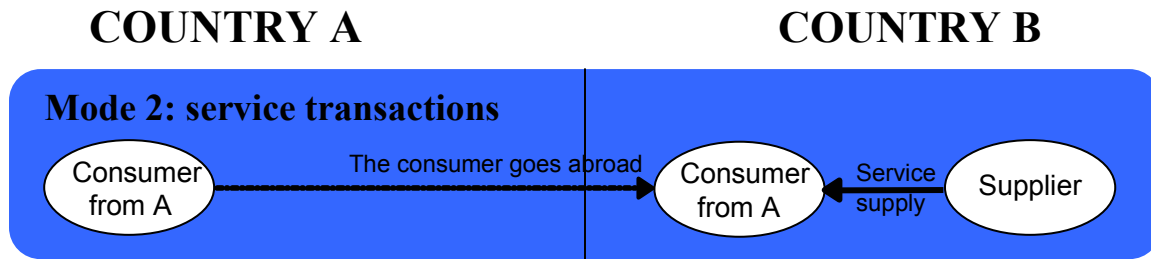
COUNTRY A

COUNTRY B



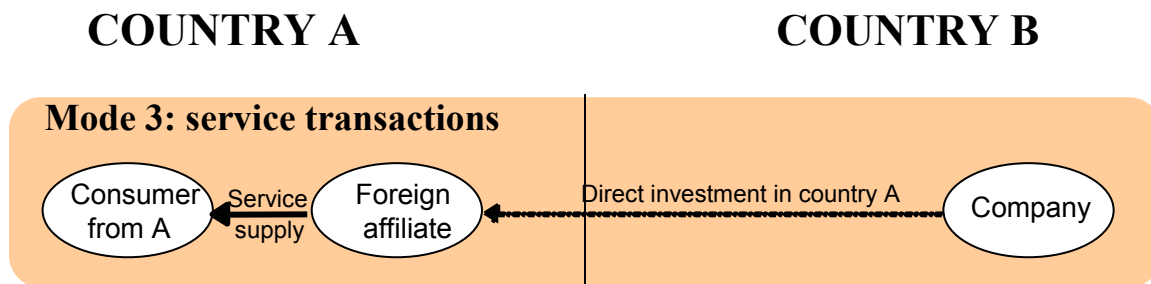
- Cross-Border Supply is when a service is supplied from the territory of one Member into the territory of any other Member. This is most often done using electronic delivery (i.e. telephone, fax or internet)
- Example: A user in country A receives services from abroad through its telecommunications, information technology or postal infrastructure. Such services may include consultancy or market research reports, tele-medical advice, distance training, or architectural drawings.
- Mode 1 contributes to 35% of services trade internationally.
- In 2004, Mode 1 accounted for \$45b in exports and \$53b in imports in Canada.
- Sectors where Mode 1 is important:
 - Professional services
 - Computer related services
 - Telecommunication services
 - Courier services
 - Other Sectors conducive to consultancy services
- Types of Measures affecting Mode 1 Trade:
 - Commercial Presence Requirements
 - Residency Requirements
 - Citizenship Requirements
 - Authorization and/or Licensing Requirements
 - Limitations and/or restrictions on insurance
- Canada's negotiating position on Mode 1:
 - Cross border supply of services is growing in importance in the Canadian economy stimulated mainly by increases in the importance of e-commerce and information technology.
 - Canada supports liberalization in this mode to meet the domestic regulatory status quo that already exists in Member economies.

Services Trade: Consumption Abroad (Mode 2)



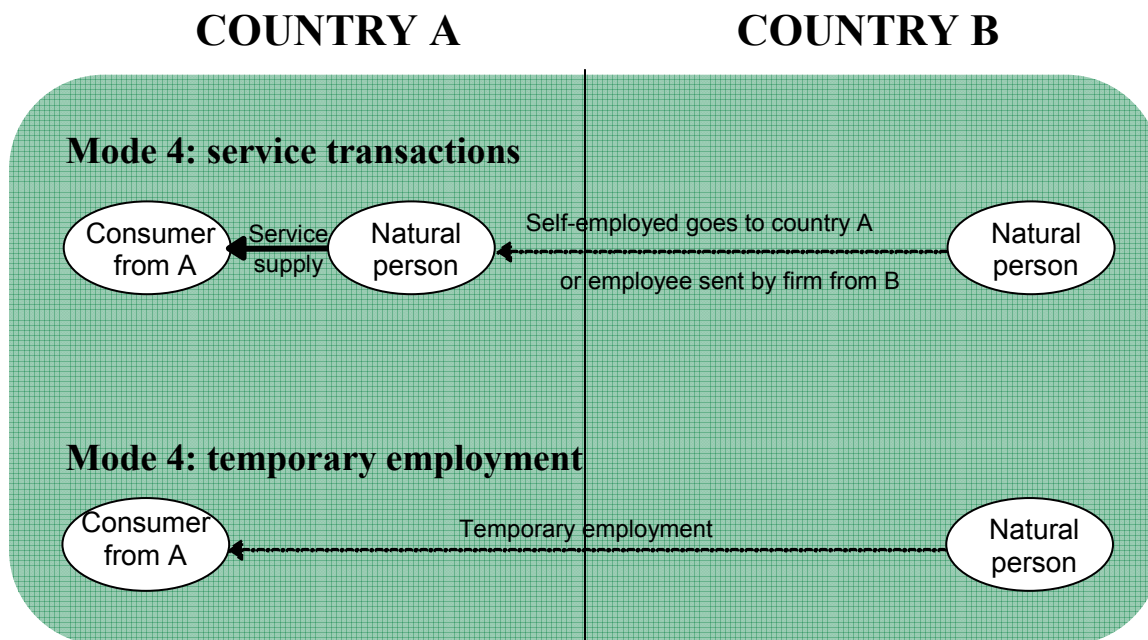
- Consumption Abroad refers to a service which is supplied when consumers from one country make use of a service in another country.
- Example: Nationals of country A have moved abroad to country B as tourists, students or patients to consume the respective service.
- Mode 2 contributes to 10% to 15% of services trade internationally.
- In 2004, Mode 2 accounted for \$17b in exports and \$21b in imports in Canada.
- Sectors where Mode 2 is important:
 - Tourism
- Types of Measures affecting Mode 2 Trade:
 - Commercial Presence Requirements
 - Residency Requirements
 - Citizenship Requirements
 - Authorization and/or Licensing Requirements
 - Discriminatory taxation
 - Limitations and/or restrictions on insurance
- Canada's negotiating position on Mode 2:
 - Canada supports liberalization in this mode to meet the domestic regulatory status quo that already exists in Member economies.

Services Trade: Commercial Presence (Mode 3)



- Commercial Presence covers services supplied by a services supplier of one Member by establishing a presence in the foreign market by opening an office in the territory of any other Member. This could be done by a company setting up a subsidiary or branches in another country.
- Example: The service is provided within country A by a locally-established affiliate, subsidiary, or representative office of a foreign-owned and controlled company, such as a bank, hotel group or construction company.
- Mode 3 contributes to 50% of services trade internationally.
- In 2003, foreign affiliates of Canadian services providers sold \$113.2b of services directly to foreign customers in foreign countries. Canadians purchased \$308b of services directly from affiliates of foreign services providers in Canada.
- Sectors where Mode 3 is important:
 - Financial Services
 - Oil, Gas and Mining Services
 - Telecommunication Services
 - Environmental Services
- Types of Measures affecting Mode 3 trade:
 - Restrictions on the type of legal entity
 - Restrictions on the number of suppliers
 - Restrictions on the participation of foreign capital
 - Restrictions on discriminatory taxation
 - Restrictions on remittances, capital transfers, and currency conversion
- Canada's negotiating position on Mode 3:
 - Mode 3 is a priority for Canada
 - Inward investments into Canada as well as Canadian direct investment abroad are important tool for Canada's economic growth.
 - Canada supports liberalization in this mode.

Services Trade: Temporary Movement of Natural Persons (Mode 4)



- Temporary Movement of natural persons covers services supplied by a service supplier of one Member through the presence of natural persons of a Member in the territory of any other Member. For example, this is often done through the movement of company staff to other countries.
- Example: An advance team of engineers preparing for an investment in another country, a consultant or manager traveling from their country to another country to supply their service.
- Mode 4 contributes to 1% - 2% of services trade internationally.
- It is difficult to estimate the economic benefits of the temporary movement of people. Although Canadian statistics count the numbers of business person working temporarily in Canada, it is difficult to infer precisely their contribution to the economy. Generally speaking, in 2002, 1,145 businesspersons entered Canada under the GATS.
- Sectors where Mode 4 is important:
 - Information Technology
 - Professional services
 - Other services where the movement of service supplying personnel is crucial (i.e. after sales services)
- Types of Measures affecting Mode 4 Trade:
 - Visa and work permit processing delays
 - Licensing/certification requirement

- Spousal employment restrictions
 - More restricted entry for certain types of professions
 - Economic Needs Tests and Labour Market Tests
 - Quotas
 - Technology transfer requirements
 - Residency and nationality requirements
 - Training/education/qualification requirements
- Canada's negotiating position on Mode 4:
- Canada is seeking from other GATS Members easier temporary entry for all categories of business persons; and the removal of Economic Needs Tests/Labour Market.
 - Canada is also seeking improved mode 4 transparency.