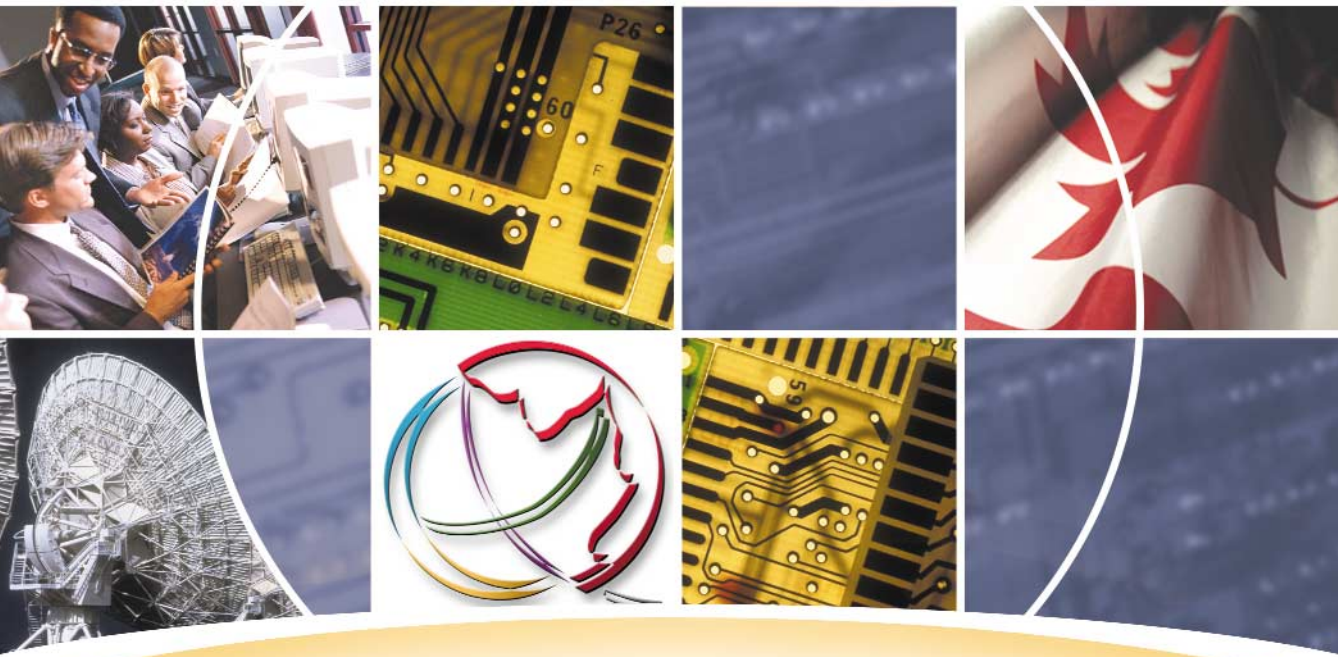
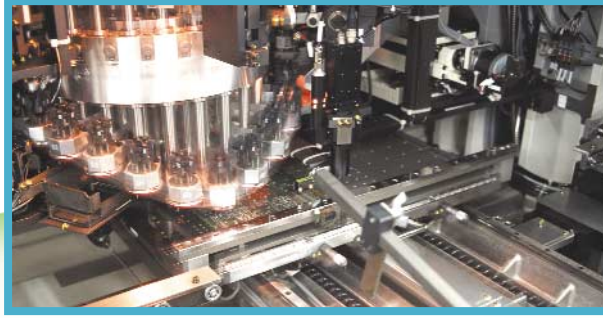




New Economy, Future Growth



CANADA AND
TRADE IN
SERVICES



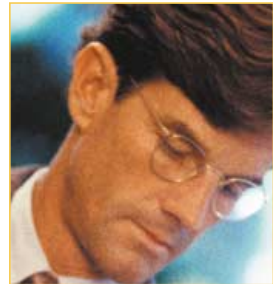
WHAT'S AT STAKE?

The services sector—particularly knowledge industries such as information technology and telecommunications—is the fastest-growing segment of Canada's economy. It employs three Canadians in four, and creates about 80% of new jobs.

Services are also playing an increasingly prominent role in Canada's export growth. Exports of commercial services—value-added services with a focus on high technology—have grown by 62% since 1995 to total \$27.2 billion in 2001. Exports of all services in Canada totalled \$55.1 billion in 2001, representing about 12% of Canada's exports of goods and services.

Both domestically and abroad, the services sector is leading Canada's transformation to a knowledge-based economy. In the process it is creating jobs and income for Canadians, and making Canadian industry more competitive and innovative.

But much of the potential is still untapped. Production in Canada's services sector is almost twice that in our merchandise sector, yet the value of services exports is much smaller than that of merchandise exports.



There is clearly room to grow, and new transparent rules can nurture the growth. The new rules would also help Canadian exporters to receive fair and equitable treatment in foreign markets. As a medium-sized economy, Canada benefits from a trading system based on rules, not power.

Canadians are world-class suppliers of services in engineering, finance, management consulting, informatics, telecommunications, environmental remediation and many other areas. About 95% of services firms are small or medium-sized businesses, and their principal area of growth is in overseas markets. A recent study indicates that if barriers to services trade were reduced by one third, Canada's services exports could increase by about \$10 billion annually—a 20 % increase in the short term.

That's why ongoing services negotiations at the World Trade Organization (WTO) and under other trade agreements are important to Canada. They hold the promise of opening up new markets to Canadian entrepreneurship, innovation and know-how. What's more, clear rules ensure fair and equitable access for our service providers. This is good for Canada and good for the world.



WHAT ARE THE ISSUES?

Global negotiations on the liberalization of trade in services began at the WTO in January 2000, under the General Agreement on Trade in Services (GATS).

Specific barriers to trade in services are usually found not at the border but in a country's regulations governing the supply of services. For example, access to foreign markets can be limited by quotas, foreign ownership restrictions, and other discriminatory measures or impediments to the movement of foreign service suppliers. These are some of the issues now under discussion in the negotiations.

Some Canadians have raised concerns that services negotiations will somehow compromise or weaken Canada's sovereignty. This isn't the case. The negotiations take place in the context of an existing agreement—the GATS—which recognizes the right of governments to regulate to further their national policy objectives. In addition, the GATS provides all countries with the flexibility to decide for themselves in which sector they will undertake obligations on national treatment and market access. No country is required to open an area that it does not wish to open.

THE DOHA DEVELOPMENT ROUND

In November 2001 at Doha, Qatar, WTO members launched a new round of trade liberalization negotiations known as the "Doha Development Round." The move gave fresh momentum to negotiations in the services sector. The Doha Declaration recognized the work already begun under the GATS, and it established two key negotiating deadlines:

- **submission of each country's areas of interest by June 30, 2002; and**
- **submission of each country's offers to open specific sectors by March 31, 2003.**

The Doha Declaration also established a target date of January 2005 for the conclusion of the Round.

CANADA'S PRIORITIES

Canada's objectives in negotiations on liberalizing trade in services are:

- **to obtain greater access to foreign markets for our service providers; and**
- **to preserve our flexibility in making public policy in areas of national interest.**





Our priorities in the negotiations include:

- greater market access for Canadian suppliers in the specific areas of financial services, professional services, telecommunications, computers, tourism and energy;
- enhanced commitments by other countries to further facilitate temporary entry and temporary stays for our service providers; and
- encouraging our trading partners to adopt more transparent regulations.



Canada will protect its interests, particularly in the areas of health, public education, social services and culture. Our health and public education systems and cultural policies are not negotiable.

Canada's negotiating position for the GATS has been and will continue to be developed in close cooperation with provincial and territorial governments. Our position has also been shaped by extensive consultations with Canadians. The consultations will continue throughout the negotiations.

For more information

Canada's role in the GATS
www.dfait-maeci.gc.ca/tna-nac or
www.services2000.ic.gc.ca

How Canada's Trade Commissioner Service can help exporters sell to foreign markets
www.infoexport.gc.ca

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