

GETTING THE INTERNATIONAL RULES RIGHT: THE WORLD TRADE ORGANIZATION

The Canadian services sector is extremely dynamic. In fact, it exhibited stronger growth than the rest of the economy over the 1990s. In 1999, for example, services represented two-thirds of total gross domestic product, and our exports of services grew by 6 percent to \$51.8 billion. In 1999, 10.7 million Canadians were employed in services-sector jobs, accounting for 74 percent of total employment. Over the past two decades, most of the new jobs created in Canada have been in the services sector. Out of the 4.5 million net gain in jobs since 1976, 4.2 million were in services-producing industries. The services sector is leading the transformation of the Canadian economy into a knowledge-based economy.

Canada is the 12th largest exporter of services in the world. Given the importance of services exports to our economy, Canada has much to gain from negotiating further liberalization and expansion of international markets for services. The United States is our most important trading partner for services, as it is for goods. Our services exports are, however, less dependent on the U.S. market than is the case for our goods exports, and our fastest-growing export markets are elsewhere. Commercial services exports to Brazil, for example, grew by an average of 150.5 percent between 1992 and 1998; to Chile by 70.5 percent; and to China by 24.7 percent. The growing importance of these markets reinforces the need for benefits of a multilateral approach to liberalization of trade in services.

One of the ways in which this liberalization can be undertaken is via the current negotiations of the WTO's General Agreement on Trade in Services (GATS). The GATS, which has been in effect since the World Trade Organization entered into force in 1995, represents the first multilateral, legally enforceable framework of rules governing this huge area of trade.

Ongoing GATS Negotiations

Canada needs to be able to rely on multilateral, legally-enforceable rules on trade in services. These rules improve market access abroad for Canadian services and provide Canadian consumers with a wider choice of quality services at competitive prices. Like Canada's other international treaties, the General Agreement on Trade in Services (GATS) is an instrument through which Canada exercises its

sovereignty, and through which Canadian citizens can influence and shape international affairs.

The GATS required that further negotiations on services begin no later than January 2000. These talks are taking place in special negotiating sessions of the Council for Trade in Services, the first of which occurred on February 25, 2000. To date, the negotiations have been quite preliminary, focussing on the modalities and on the mandate to examine rules in the context of certain work programs.

Issues for consideration during the talks include sectors of export interest to Canadian industry; markets of interest to Canadian industry; current or potential barriers faced by Canadian industry in providing services to foreign markets or consumers; improving access to countries that are key export destinations for Canadian services, and providing Canadians with access to quality services at a competitive price. As a significant exporter of services, Canada will pursue multilateral, legally-enforceable rules that will allow increased access to foreign markets for Canadian services firms. In addition, Canada will work collectively with other WTO Members to improve the agreement's transparency and clarity in order to make it more user-friendly.

Canada will push for greater market access for services suppliers in sectors including professional, business, financial, telecommunications, computer, environmental and transportation services. At the same time, however, there are certain domestic services sectors in which our interest in undertaking further liberalization may be limited. The Canadian government intends to continue to uphold its clearly defined and long-established objectives to safeguard Canada's freedom of action in key services sectors, including health, education and culture.

The GATS negotiations raise complex issues, and we are still at an early stage in discussions. In preparation for the negotiations, WTO Members, and Canada in particular, have embarked on an exercise of consultation with stakeholders representing a wide range of interests, in order to identify negotiating interests and objectives. As negotiations progress, the government will continue to consult extensively with Canadian industry and other stakeholders, and involve the provinces, to ensure that Canada's negotiation positions reflect the interests of all Canadians.