

INTRODUCTION

In 1995, Canada became a founding member of the World Trade Organization (WTO) and a signatory to the General Agreement on Trade in Services (GATS), the first multilateral accord governing this growing component of international trade. As a result of the novelty, complexity and sensitivity of the issues involved in the regulation of trade in services, the 1995 Agreement achieved only a general framework. To formulate rules and disciplines appropriate for services trade, much work remained to be done in such areas as the use of subsidies, anti-dumping and countervailing measures, and ensuring that domestic regulations are not used as disguised barriers to trade. Further, Member countries generally made modest market access commitments and much is still to be done to identify additional economic sectors for further liberalization.

Members agreed to pursue further liberalization of markets for trade in services through subsequent negotiations, beginning in 2000. These negotiations are at a very early stage. The issues currently under discussion concern the shape and scope of the negotiations; that is, we are negotiating about how we will negotiate. This stage of the discussions is expected to be completed in March 2001, after which the negotiations on specific market access commitments will begin. Uncertainty surrounds the timing and pace of discussions, but it is fair to say that these are complex issues and the negotiations are likely to last several years.

For our economic prosperity, Canada is heavily dependent on trade — more so than any of our major trading partners. In 1999, some 45 percent of our gross domestic product was destined for foreign markets, with exports directly responsible for one out of every three new jobs created in Canada. It is vital to our national interests, therefore, that we have secure access to foreign markets and that trade disputes be resolved through objective, independent dispute settlement mechanisms.

Canada also has a growing interest in trade in services. Services account for two thirds of our economy and 74 percent of total employment. Historically, services have been a relatively small part of our trade with other countries, and currently account for an estimated 7 to 12 percent of all exports. However, the services sector is growing considerably faster than trade in goods and represents the single most important opportunity for increasing world trade. As Canada is the world's 12th-largest exporter of services, further development of multilateral rules on services trade is important to us: it will enable our world-class companies in many key areas (e.g., engineering, financial services, informatics and telecommunications) to expand their presence abroad, and will promote a more competitive domestic market.