The initial offers take into account the basic negotiating objectives that each country has set for itself, as well as the various bilateral requests it has received from other members. Canada's objectives are reflected in its initial offer, which does not include any commitments on health, public education, social services or culture. The initial offer and all subsequent offers are conditional on the overall level of liberalization achieved at the end of the negotiations. This means that the government will allow the offer to become binding at the end of the negotiations only if the outcome is satisfactory for Canada.

At the end of the negotiation process, the results of the bilateral request–offer negotiations will be made available on a most-favoured-nation basis to all WTO members. In this way, all member countries will benefit from the bilateral negotiations to some extent, regardless of whether they negotiated market access commitments bilaterally. As well, members will retain the flexibility to open the sectors that they choose.

The next section gives an overview of the financial services sector, using it to highlight the types of market access challenges facing Canadian services suppliers. This is followed by a section on regulatory transparency, which touches more generally on challenges facing Canadian services suppliers and the types of improvements Canada is seeking in negotiations.

FINANCIAL SERVICES

The financial sector in Canada includes services providers such as banks, life and health insurance companies, property and casualty insurance companies, insurance agents and brokers, trust and loan companies, credit unions and caisse populaires, mutual funds, securities dealers, pension managers and investment advisers, as well as specialized finance companies. Overall, the Canadian financial services industry employs about half a million people and contributes over 5% of Canada's gross domestic product (GDP).

Many Canadian financial institutions have a long history of being active abroad. As intermediaries, they were first "brought" abroad, often by Canadian clients that had significant export and/or production activities outside Canada. More recently, however, Canadian financial institutions have actively sought out organic growth opportunities in less mature international markets and acquisitions in established, but profitable, sectors in developed countries. In particular, the foreign operations of the six largest Canadian banks accounted for about 33% of revenue in 2003, while in the same year Canadian life and health insurance companies drew 58% of their total premium income from abroad. Their key foreign market is the United States. However, a number of Canadian financial institutions also have substantial interests beyond the U.S., for example, in South and East Asia, and to a lesser extent in Latin America, the Caribbean and Europe.

The WTO's General Agreement on Trade in Services governs the services trade relations of its members. With respect to financial services, the GATS applies through the general GATS obligations, through the GATS Annex on Financial Services and through individual member schedules that set out specific commitments taken by each member. The Annex on Financial Services modifies some of the general GATS rules and definitions to take into account the special characteristics of the financial sector, including provision of a prudential carve-out to protect investors, depositors, policy holders or persons to whom a fiduciary duty is owed by a financial service supplier, or to ensure the integrity and stability of the financial system. In addition, WTO members have the option of scheduling their commitments pursuant to the Understanding on Commitments in Financial Services, whereby countries choose to take on a generally higher level of commitments. The Understanding, which forms a part of the schedule of the members adopting it, provides a standardized list of liberalization commitments in financial services. A number of members, including Canada, have scheduled their commitments in financial services further to the Understanding. Canada has also taken on financial services trade and investment commitments under Chapter 14 (and its various annexes) of NAFTA.

The export markets that are of greatest interest to Canadian financial services providers include Brazil, the CA4, CARICOM, Chile, China, Costa Rica, Hong Kong, India, Indonesia, Ireland, Japan, Mexico, the Philippines, Singapore, the United Kingdom, the United States and Vietnam. The majority of barriers to trade for this sector are found in Asia and Latin America; barriers include