

# WORLD TRADE ORGANIZATION

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## COMMUNICATION FROM CANADA

### Initial Negotiating Proposal on Business Services (Other than Professional Services and Computer and Related Services)

The attached communication has been received from the delegation of Canada with the request that it be circulated to Members of the Council for Trade in Services.

1. Canada reserves the right to modify this proposal at any time. This proposal does not prejudice Canada's position on other service sectors, nor any future offer on this or other sectors. This proposal should be read in conjunction with the principles and objectives as outlined in Canada's initial negotiating proposal.

#### A. INTRODUCTION

2. This proposal covers the following sub-sectors of the business services sector of the W/120 Services Sectoral Classification List: research and development services, real estate services, rental/leasing services without operators and other business services. It aims at reducing unnecessary trade barriers without affecting the quality of service and the protection of consumers. Canada proposes therefore that the professional services and computer and related services sub-sectors be excluded from this negotiating proposal. They will be the subject of separate negotiating proposals.

3. The sub-sectors of the business services sector are among the fastest growing sectors of the "new economy". These so-called "business to business" services include, not only professional services and computer and related services, but also services as diverse as R&D services, market research services, consulting services, technical testing and analysis and maintenance and repair of equipment services. All they have in common is that they provided an input to businesses.

4. Not only are business services among the most dynamic of the traded services today, but they also act as a catalyst for change and competitiveness in other services sectors of the economy. They are also an important factor in overall economic performance and competitiveness, particularly for small- and medium-sized enterprises. (SMEs). SMEs make up more than 95 percent of developed countries' enterprises and account for 60 to 70 percent of their workforce. The situation is quite similar in developing countries. In Canada, SMEs account for some 60 percent of employment and 43 percent of GDP. They are also predominantly present in the services sector.

5. As opposed to professional services, most business services are much less regulated. Member country commitments are often more liberal than in other services sectors. No doubt for this reason, a significant number of Members have made commitments in the sub-sectors of business services proposed for coverage, including developing country Members — the majority of which have made

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quite liberal commitments, especially in the other business services sub-sector. Of the 130 plus WTO Members, more than 70 have made commitments under the other business services category; 46 have made commitments under the research and development services and rental/leasing services without operators categories; and 28 have made commitments with respect to real estate services. Canada's own Schedule of Specific Commitments is relatively open with respect to these business services.

6. Trade in these sub-sectors is often carried out across borders or by service providers travelling for short periods of time to the location of the consumer. Furthermore, technological advances, in particular electronic commerce, provide new means for small- and medium-sized business services suppliers, including those from developing country Members, to export their services by making cross-border provision of certain business services more practical and technically easier.

7. Most of the remaining restrictions in WTO Members' schedules are to be found under modes 1 and 3. These include: citizenship and residency requirements, as well as restrictions on ownership, equity and form of establishment. In our view, most of these could either be eliminated or replaced by less restrictive requirements. Furthermore, a sizable number of Members have not bound their commitments.

B. PROPOSAL

8. Canada proposes that WTO Members consider:

- increasing their commitments in the area of research and development services, real estate services, rental/leasing services without operators and other business services;
  - broaden and deepen existing sectoral commitments, with particular emphasis on the elimination of: (a) any remaining cross-border supply limitations given the increasing importance of this mode of delivery for these sub-sectors; (b) limitations on commercial presence where Member countries have been reluctant to make commitments;
  - explore how to improve and facilitate the temporary movement of natural persons for the provision of specific services; and
  - improve the level of transparency with respect to domestic regulation.
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