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COMMUNICATION FROM CANADA

Initial Negotiating Proposal on 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. In recent years, the computer and related services sector has experienced enormous growth, and has witnessed the introduction of a number of new entrants, interests and types of services available to consumers and businesses alike. In 1997, the WTO estimated that the world market for the sector was worth some US \$375 billion, representing a 10 percent growth from 1995 to 1997. Canadian exports of computer and related services for example, totalled \$1.6 billion in 1999, thereby permitting the sector to grow at an output growth rate six times that of the overall Canadian economy.

3. Four years later, these numbers have grown, in large part due to the presence of an open, competitive and largely unregulated commercial environment. A total of 62 GATS schedules contain commitments on computer and related services, none of which list MFN exemptions specific to the sector. Where sector specific limitations exist, they most frequently relate to commercial presence (mode 3), and concern restrictions on foreign investment.

4. The sector has also benefited from technological advance in the area of telecommunications and electronic commerce. The Internet in particular, has created a new means of doing business for computer and related services companies, providing them with easier access to global markets and the means to develop new and innovative goods and services.

5. In recent years, the distinction between computer and related services, and basic and value-added telecommunications services has grown less distinct, leading to some uncertainty about the manner in which existing GATS commitments apply to certain varieties of emerging services such as data warehousing and application hosting. Canada proposes that WTO Members examine how we can achieve greater clarity in this area, for example with respect to whether certain electronically-delivered services should fall under computer and related services or telecommunications services.

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6. Furthermore, the contribution and significance of computer and related services to the overall economic performance and competitiveness of the world economy makes it crucial that Members pay attention to the way in which regulatory measures applied by governments in other sectors can have an impact on expansion in the computer and related services sector. Moreover, the presence of a variety of non-sector specific practices which include rules on temporary entry and technical standards may have an effect on the real value of market access commitments in computer and related services. Improved market access commitments from WTO member countries in a wide variety of sectors may therefore help to promote trade in computer and related services.

7. For developing countries, computer and related services are particularly important via mode four delivery. Canada therefore encourages Members to improve their commitments for the temporary entry of Information Technology workers not linked to commercial presence.

8. During the Uruguay Round, Canada committed itself to fully open markets (“none”) for both market access and national treatment, except for mode 4 of market access, where the commitment is “unbound, except as indicated in the horizontal section.”

9. The temporary entry of senior computer specialists is included in Canada's horizontal mode 4 commitments and facilitated temporary entry for certain information technology workers is allowed under Canada's general immigration provisions.

B. OBJECTIVES

10. Canada encourages all Members to:

- Make new commitments on computer and related services;
 - Broaden and deepen existing sectoral commitments, with particular emphasis upon the elimination of: (a) any remaining cross-border supply limitations given the increasing importance of this mode of delivery for the sector; (b) limitations on commercial presence where member countries have been reluctant to make commitments;
 - Examine further how trade rules reflect the current nature of business activity in the computer and related services sector.
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