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## Liberalizing the movement of services suppliers: lessons from the Canadian experience with temporary worker programmes.

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This article argues that to increase their chances of success to achieve mode 4 liberalization in the General Agreement on Trade in Services (GATS) negotiations, developing countries should focus on sectors where industrial countries face labour shortages. This approach would enhance the political feasibility of such commitments by industrialized country governments. This article draws lessons from the Canadian experiences with temporary foreign workers in the agricultural and construction industries that are both sectors with labour availability problems. It highlights the importance of an institutional framework to manage the temporary movement of workers.

### I. INTRODUCTION

The liberalization of the temporary movement of service providers in the context of the current multilateral trade negotiations at the World Trade Organization (WTO) can yield important benefits for exporting and importing countries. The cross-border movement of service providers (mode 4 of the GATS) is considered the mode of supply where developing countries have the most export capacity and potential. Indeed, the inclusion of this mode in the design of the GATS was made at the insistence of developing countries, as the most important mode of supply, commercial presence, was seen as out of reach for most of their suppliers. However, there have been very few commitments made by industrial countries on mode 4 during the Uruguay Round, especially in areas of greater interests to developing countries, i.e. less skilled service providers.

The object of this article is to draw lessons from the Canadian experiences with temporary foreign workers that could inform the discussions and GATS negotiations on mode 4. Indeed, Canada has developed some bilateral programmes that facilitate and manage the temporary entry of workers from developing countries in sectors facing labour availability problems. The article highlights lessons that can be learned from these experiences and fed into the international discussions and GATS negotiations on mode 4. What can we learn from these bilateral experiences for a future multilateral liberalization? Before discussing the Canadian programmes created to facilitate the temporary movement of farm workers and construction workers, the article briefly reviews the literature on the impact of mode 4 liberalization focusing on less-skilled service providers and workers. Several authors have proposed strategies to achieve better mode 4 commitments. For instance, Chaudhuri, Mattoo and Self (2004) focused on horizontal commitments, intra-corporate movement and contract-based (not employment-based) movement of services providers. I wish to contribute to this discussion by highlighting the opportunities for improvement in sectors with shortages and stressing the importance of an institutional framework to structure the movement of people.

### II. THE IMPACT OF MODE 4 LIBERALIZATION

The literature on mode 4 is at the intersection of the literature on international trade and on migration issues and is still at an earlier stage of development. Building on economic theory and analysis as well as some limited empirical evidence, the literature tends to agree that there are net benefits for both developing and developed countries from reducing the barriers to the temporary movement of service suppliers (Walmsley and Winters, 2002; Rodrik, 2002; World Bank, 2004). Their conclusions not only cover mode 4, but also apply generally to the temporary movement of workers. Empirical analyses are still limited and detailed national level analysis will be required to better understand how each country stands to benefit from such liberalization. Indeed, its economic impacts will vary according to sectors, to national economic structure (especially of the services sector), the workers' skill levels and the regulatory environment in the receiving country (OECD, 2003).

Nevertheless, there is consensus in the literature that the temporary movement of unskilled workers can have very positive development impacts, as it builds on the comparative advantage of developing countries, i.e. their relative lower costs for unskilled labour.

"The real gains from trade, whether in goods or in factors, come from exploiting differences. Therefore, it is the flow of unskilled (or strictly less skilled) workers from developing to industrial countries that promises the larger returns. Not only is the proportionate gap in productivity between host and home countries likely to be largest here, but so too are the numbers of people available to move" (Winters, 2003, pp. 68-69; italics in text).

Walmsley and Winters (2002) estimated that if industrial countries would allow an increase of temporary workers equivalent to 3 percent of their workforce, it would generate an increase of global

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welfare of more than US\$ 150 billion per year. In their general equilibrium model of the temporary movement of labour from South to North, they found that developed and developing countries would almost equally benefit from such liberalization, but that gains would mostly come from the liberalization of unskilled labour. They stressed that these numbers are informative of the scale of the potential benefits and that one should not rely on the specific numbers, given the difficulties inherent in their exercise.

"Nevertheless, the results suggest startlingly large benefits to freeing up the temporary movement of labour. Even for a limited liberalization, they are far larger than the benefits available to a complete goods market liberalization and they are also larger for unskilled than for skilled labour mobility. If they do nothing else, these results should challenge negotiators to think hard about the priorities for the new round of GATS negotiations" (Winters, 2003, p. 84).

The temporary movement of skilled labour also involves benefits for developing countries, as workers also send back remittances and bring back new skills and knowledge upon their return. However, there are a number of reasons why the large-scale mobility of highly skilled workers is less desirable than the movement of less skilled workers. In addition to the smaller productivity/wage gap mentioned above, analysts note that the high-skilled workers have higher income, therefore ...

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