

The FTA also incorporates a tough new rule of origin for vehicles to qualify for its duty-free benefits. This provision, combined with the retention of production duty remission incentives, will increase opportunities for Canadian parts makers. This will mean more jobs.

Canadians cannot now import used vehicles, other than antiques, from the U.S. The FTA will phase out the embargo on used autos.

Canada and the U.S. will set up a Select Panel to assess the North American auto industry. The Panel can propose policy changes to governments and private initiatives to improve automakers' competitiveness in domestic and foreign markets.

## SERVICES

The Canada-U.S. Free Trade Agreement establishes a framework for trade in a wide range of services between the two countries.

Services represent the largest part of the Canadian economy, accounting for over 70 percent of the economy and 76 percent of employment in 1986. Canadian exports of services to the United States in 1986 amounted to \$13.5 billion or approximately 60 percent of the total of our service exports to all countries.

The agreement provides a set of disciplines covering a large number of service sectors, largely in commercial services and tourism. Special sectoral annexes apply the general framework to architecture, tourism, computer services and enhanced telecommunications services.

Both governments agree in the future not to discriminate against each other's service industries. Given the current relative openness in bilateral trade, this will guarantee Canadians the free trade they currently enjoy in many services sectors.

The Agreement also preserves the access that Canadian and U.S. financial institutions have to each other's markets and opens new areas of competition in securities underwriting and banking.

Provisions in the Agreement on temporary entry will ensure that business persons trading in goods and services will benefit from improved and easier border crossing. These provisions are critical to trade in services, and will eliminate a major irritant for Canadians in bilateral trade.

In addition, the Canada U.S. Free Trade Agreement will have a positive indirect impact on the Canadian service sector. As economic activity increases under free trade, the demand for services will increase, thereby creating more employment opportunities (the Economic Council of Canada evaluates job creation in the services sector at around 180,000 jobs).

The Agreement does not apply to services provided by governments such as health, education and social services. Excluded as well are cultural industries, child care, transportation, basic telecommunications and doctors, dentists and lawyers.