

continuing pressures are likely is in regulation of the services sector. The reason is that these waters are largely uncharted; no significant international negotiations have yet been undertaken. Under current circumstances, two possibilities exist: either negotiations will have to be undertaken piecemeal, sector by sector, in trucking, airlines, banking, and so forth, or negotiations will have to be postponed. This decision will be influenced by the degree to which the two countries' regulatory regimes resemble each other. Since the key issues will be right of establishment and national treatment, the closer these regimes are at the outset of negotiations, the more likely they will be dealt with; the more they differ, the less likely negotiations will be straightforward.

In conclusion, it is clear that a bilateral agreement would increase integration of goods markets and constrain the application of additional tariff and nontariff barriers. Since many of the existing harmonization pressures on domestic policy arise from financial market integration and mobile capital and labor, further goods market integration is not likely to add significantly to those pressures. And as the smaller economic partner, Canada has a vital interest in limiting unilateral definition of unfair trade by the United States.