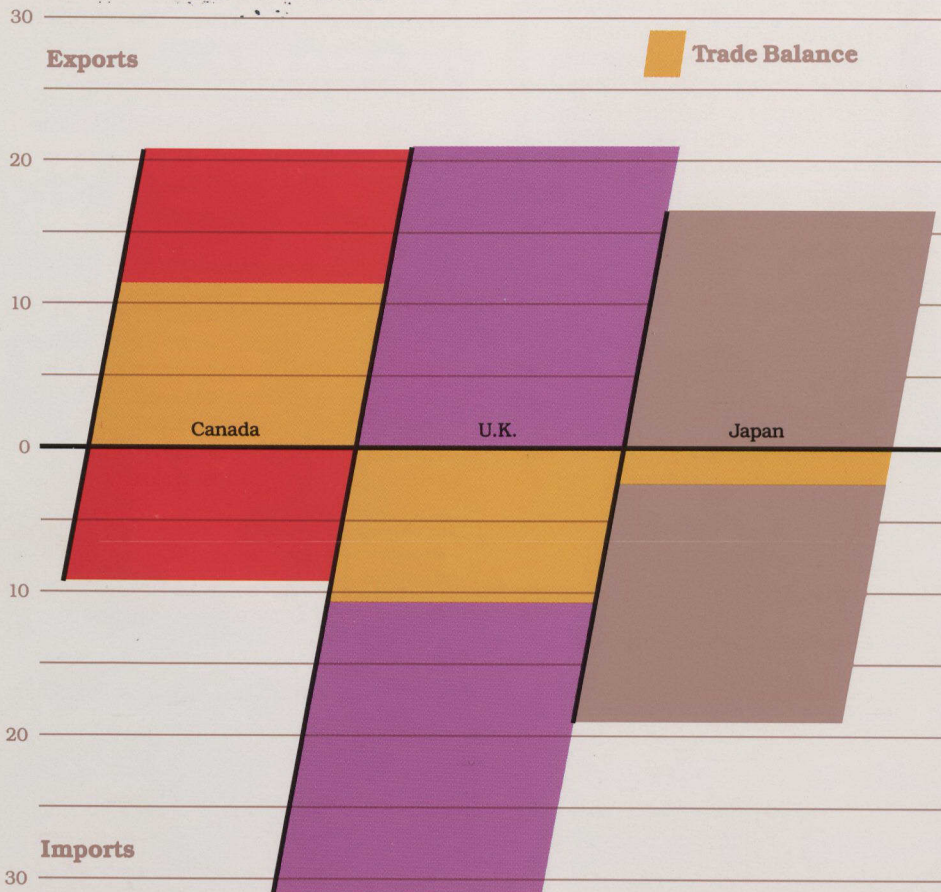


Services

Services have become the largest source of jobs and economic activity in the U.S. and Canada.

U.S. SERVICES TRADE

1987, In Billions of U.S. Dollars



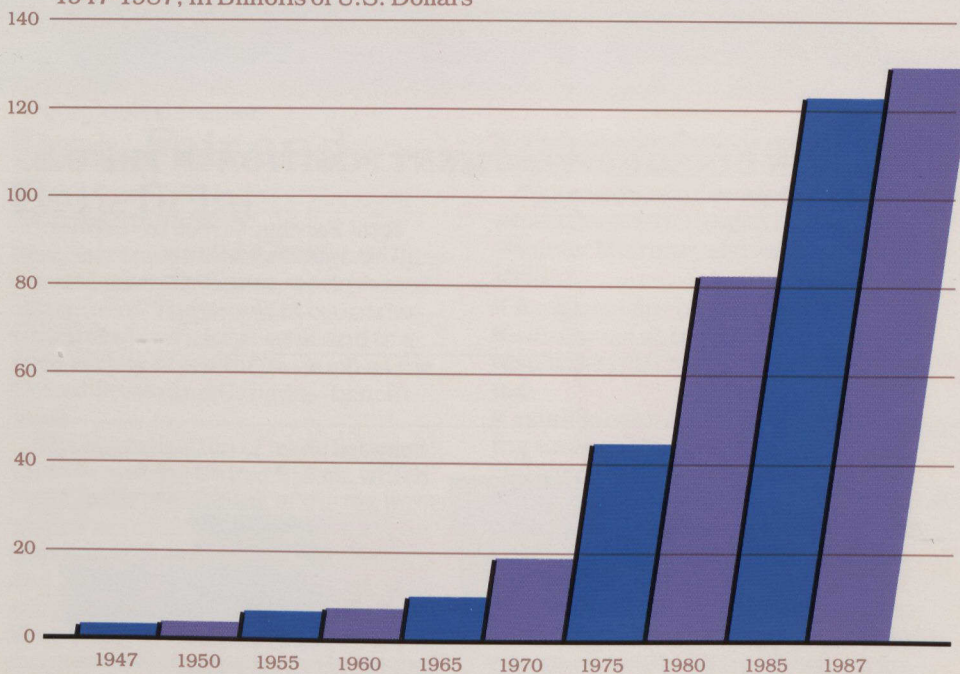
Source: U.S. Department of Commerce

Trade Growth

The United States' merchandise trade with Canada has grown from (U.S.) \$3 billion in 1947, the year the GATT was signed, to \$131.3 billion in 1987.

U.S.-CANADA MERCHANDISE TRADE

1947-1987, In Billions of U.S. Dollars



Source: Statistics Canada. Converted to U.S. dollars using yearly average exchange rate.

TARIFF ELIMINATION SCHEDULE

Examples of tariffs scheduled for elimination on January 1, 1989, include:

- Computers and equipment**
- Some processed fish**
- Vending machines and parts**
- Leather**
- Warranty repairs**
- Animal feeds**
- Skis**
- Skates**
- Unwrought aluminum**
- Some pork**
- Fur and fur garments**
- Airbrakes for rail cars**
- Yeast**
- Whiskey**
- Telephone and PBX equipment**

Examples of those scheduled for elimination in five steps, beginning January 1, 1989:

- Subway cars**
- Printed matter**
- Hardwood plywood**
- Paper and paper products**
- Aftermarket auto parts**
- Chemicals**
- Furniture**
- Paints**
- Most machinery**
- Explosives**

Examples of those to be eliminated in 10 steps, most starting January 1, 1989:

- Most agricultural products**
- Textiles and apparel**
- Softwood plywood**
- Railcars**
- Steel**
- Appliances**
- Pleasure craft**
- Tires**

DISPUTES

The Free Trade Agreement recognizes the responsibility of the two governments for the administration and evolution of the trading relationship. A bilateral commission of government representatives will have primary responsibility for implementing the agreement and settling significant disputes. In some cases disputes may be referred to panels of experts for their recommendations. Other panels will render binding decisions in appeals of trade remedy actions and will advise both governments on legislation which might impinge on the terms of the agreement.