

Executive Summary

Services represent the largest part of the Canadian economy — 70 per cent of Gross Domestic Product and 8.8 million jobs. Trade in services between Canada and the United States was more than \$24 billion in 1986.

The Canada-U.S. Free Trade Agreement establishes a set of general principles for trade in a wide range of commercial services. Under the national treatment principle, both governments agree in future regulations not to discriminate against each other's service industries specifically covered by the Services Chapter. Existing regulations remain in place but can be amended provided they do not become more discriminatory to service providers of the other country. Three special sectoral annexes apply these general principles to architecture, tourism, and computer and enhanced telecommunications services:

The Agreement does not apply to government provided services such as health, education and social services or to child care, transportation and basic telecommunications services. Cultural industries, except for four minor undertakings, are exempt from the provisions of the Agreement.

Financial services, with the exception of insurance, are not subject to the general principles applying to covered services. In the area of financial services, the Agreement, with respect to federal laws, 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 for temporary access ensure that business persons trading in goods and services will benefit from improved and easier border crossing procedures. These provisions are critical to trade in services and will eliminate a major bilateral trade irritant for Canadians.

Canadian service firms will benefit from being able to plan future business expansion in the United States in a more predictable environment. The Agreement will also have a positive indirect impact — as economic activity increases under free trade, the domestic demand for services will increase, thereby creating more employment opportunities.