

implementation — ending on December 31, 1998 — Canadian service exports to the United States rose by 64% to \$26.7 billion, while imports from the United States increased by 24% to \$32.2 billion. In 1998, exports of Canadian services to the United States and Mexico continued to show small increases, moderating Canada's traditional deficit in this sector.

The fastest-growing component of services trade has been in the computer and information services area, in which there is a high degree of specialization. In fact, bilateral trade between Canada and the United States in informatics services has emerged as one of the fastest-growing sectoral relationships in the world. Exports to the United States have also increased in such areas as communications, architecture, engineering and other technical services. Imports of services to Canada from the United States, meanwhile, have increased in areas such as management and advertising services.

Although trade in services is on the rise, it currently corresponds to only 12.4% of Canada's total merchandise trade with the United States. Given the large contribution of services to Canada's gross domestic product (GDP) (services currently make up almost two-thirds of GDP), the rapid growth of the services sector in both economies and the NAFTA's provisions to liberalize services trade between the NAFTA parties, this trade is expected to increase in the future.

Services trade with Mexico, though not calculated to the same level of detail by Statistics Canada, has also been on the rise since the implementation of the NAFTA, due in large part to the increased participation of Canadian firms in the Mexican economy. Canadian firms have been actively involved in the transportation sector through the provision of consultation services in the privatization of Mexican railways and in the management of the newly privatized railways. Canadian charter companies will benefit from greater liberalization in bilateral air services. In the energy sector, Canadian consultants have participated in Mexico's privatization of natural gas distribution and transmission. On the agriculture side, Canadian service suppliers are contributing consulting and training services in the area of food safety, and expert advice and assistance in the implementation of the Hazard Analysis and Control of Critical Points (HACCP) system. Furthermore, the development of distance learning programs, the projected establishment of private health clinics, and the provision of telecommunications services all point to the increasing diversity of Canada's participation in Mexico's services sector. Mutual recognition agreements negotiated under the NAFTA in areas such as legal consulting and engineering will, once implemented, further increase Canadian participation in Mexico's service industries.

## I n v e s t m e n t

Investment is key to economic growth, and since 1993 foreign direct investment (FDI) in Canada has risen by 54%, reaching \$218 billion in 1998. The NAFTA has contributed to enhancing Canada's attractiveness to foreign investors while providing more opportunities for Canadians to invest in NAFTA partners' economies. The Agreement's provisions ensure greater certainty and stability for investment decisions by guaranteeing fair, transparent and non-discriminatory treatment of investors and their investments throughout the free trade area. The NAFTA's contribution to increased competitiveness has also generated greater capital investment in Canada. This investment has generated job growth and has led to valuable high-tech knowledge transfers. About 68% of the \$218 billion in foreign direct investment comes from our NAFTA partners.

Since the implementation of the NAFTA, there have been notable investment gains in Canada in the area of financial services, transportation equipment, automobile equipment, chemicals, energy, communications, and food and beverages.