

and increased competition from low-cost producers in the developing world may deter any major expansion plans in Canada in the near future.

Services - The existence of multifarious non-tariff barriers in this sector implies increased investment in Canada under trade liberalization, particularly since delivery of many services requires a local establishment and proximity to customers. Unfortunately, no research has been undertaken yet on the nature of the adjustment process for service firms. Hence, it is impossible to predict confidently the net impact on combined US-Canadian investment on services; intuitively, however, trade liberalization in services would appear to benefit mostly the United States.