

## **Part Four**

### **Services, Investment and Temporary Entry**

Part Four contains the three ground-breaking chapters: services, business travel and investment.

#### **Chapter Fourteen: Services**

Trade in services represents the frontier of international commercial policy in the 1980s. Dynamic economies are increasingly dependent on the wealth generated by service transactions. International trade in services, of course, does not take place in a vacuum without rules and regulations. What it has lacked is a general framework of rules incorporating principles of general application such as those embodied in the GATT for trade in goods. Chapter Fourteen provides, for the first time, a set of disciplines covering a large number of service sectors.

The issue is also more than a matter of opening up service markets. It is no longer possible to talk about free trade in goods without talking about free trade in services because trade in services is increasingly mingled with the production, sale, distribution and service of goods. Companies today rely on advanced communications systems to co-ordinate planning, production, and distribution of products. Computer software helps to design new products. Some firms engage in-house, accountants, and engineers, some have 'captive' subsidiaries to handle their insurance and finance needs. In other words, services are both inputs for the production of manufactured goods (from engineering design to data processing) and necessary complements in organizing trade (from financing and insuring the transaction to providing installation and after-sales maintenance, especially critical for large capital goods).

The basic economic efficiency and competitiveness gains expected from the removal of barriers to trade in goods between Canada and the United States also apply to the service sectors. To achieve the same economic gains in services it was necessary to focus the negotiations on the nature of regulations that constitute trade barriers. In some cases, the focus was the right of establishment where such a right is an economic pre-condition to supplying the service, for example, travel agencies. In other cases, the opportunities to foreigners to meet the