

for about 15% of total exports (\$14 billion in 1984), particularly in areas such as consulting engineering, management consulting services, telecommunications, computer services and insurance.

The issue, however, is more than a matter of opening up service markets. It is no longer possible to talk about freer trade in goods without talking about freer trade in services because trade in services is increasingly mingled with the production and trade 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 and to run the robots that produce them. Some firms engage in-house lawyers, 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 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, e.g., travel agencies. In other cases, the opportunities to foreigners to meet the professional standards imposed by countries as a condition to offering the service, e.g., consulting engineering, was the focus.

The new, general rules adopted for trade in services are a trail blazing effort and could lay the foundation for further work multilaterally. However, because it is pioneering, the two governments decided to proceed cautiously. From the outset, it was clear that negotiating one set of rules covering most service sectors was an ambitious project. In addition to adopting general principles, therefore, they have established a work program to apply these to a number of discrete sectors as a basis for possible, more far-reaching negotiations at a later stage. Even such a modest beginning, however, constitutes a major step toward open and competitive trade in services between the two countries.