

In the service industries, a number of economic and institutional pressures exist for harmonization of regulatory policies in the two countries. For example, Section 301 of the Trade Act of 1974 creates harmonizing pressure by providing for retaliatory action if Canadian regulatory policies are perceived to have discriminatory effects on U.S. commerce. With no change in Canadian trade policy, Canadians may also face reciprocity legislation -- introduced in Congress in 1985 -- directed against foreign regulatory policies in telecommunications.

#### Commercial Policies

Unfair trade legislation is one set of U.S. policy instruments that have the effect of encouraging policy harmonization under the status quo. The second set consists of commercial policies, which refer to tariff and nontariff measures that affect trade. Some policies are dictated by both countries' obligations under the GATT.

An interesting example of how those obligations create harmonization pressures can be illustrated by how they formulate standards and technical regulations. Many regulations and standards are intended to serve health, safety, and environmental objectives, but they also affect the manufacture and distribution of goods.

Packaging and labelling standards and regulations, for example, deal with the quality and performance of manufactured articles. With the adoption of the Agreement Concerning Technical Barriers to Trade (Standards Code) emanating from the Tokyo Round of the GATT, there have already been substantial efforts to limit the potential effects of standards as nontariff barriers to trade. According to the Standards Code, regulations and standards do not necessarily have to be harmonized, but imported products have to be