
Service sectors are regulated differently in Canada and the United States for a variety of reasons. In some cases, the regulation is designed explicitly to restrict foreign competition and presence in the domestic service sector, and thus acts as a barrier to trade. In most cases, however, the regulation is not designed intentionally to restrict trade, but in serving domestic policy objectives inadvertently inhibits trade.

As discussed later, the Agreement directly addresses such issues as temporary business travel, professional accreditation, investment and access to domestic telecommunications networks for services provided by the private sector. The Agreement also sets out a general principle that future new regulation in either country will not discriminate against service providers from the other country in those service sectors covered by the Agreement. This will ensure a limitation to future barriers to services trade and secure the relatively free access that already exists in the North American services market.

There are certain services provided by government for their citizens. These are not "sold" in the traditional sense, and are therefore not traded to other countries. For this reason, services provided by governments are outside the scope of the Agreement.

For those services embodied in goods or sold in conjunction with goods, the main impediments to trade are the barriers to trade in goods, such as tariffs. The Agreement eliminates tariffs and reduces

non-tariff barriers on goods. As many services are interdependent with the production, sale, distribution and servicing of goods, trade liberalization in the modern world must deal with both areas.

Canada's International Trade in Services

Compared to the overall value of services being produced in the Canadian economy, Canada's international trade in services is small but growing rapidly. In 1986, the total value of Canadian trade in services (imports plus exports) was \$39.6 billion¹, whereas the total value of services produced in Canada (including construction and utilities) was \$257 billion (in 1981 prices). Table 3.4 provides statistics on Canada's worldwide trade in all categories of services for 1985 (the latest year for which detailed statistics are available).

In addition to export opportunities for Canadian services, imports of commercial services also have a beneficial role in the Canadian economy. In order to adapt effectively to changing competitive conditions, firms purchasing services require open access to the most technologically advanced and competitively priced services. Without them, Canadian industry could not compete internationally in terms of quality and price. The ability to source services from foreign or Canadian suppliers enables Canadian firms to improve their competitiveness at home and abroad.