

SERVICES SECTOR

SERVICE SECTOR : QUESTION 1

Considering the liberalization of American investment policy under FTA, will there be future gains under NAFTA for Canada in the United States?

Background:

United States-

At present, for those sectors where there is no regulation on investment, there are no federal laws governing the levels of investment. The Exon-Florio Amendment, passed as part of the Defense Production Act was brought to ensure the domestic (American) control over strategic areas of industry. Any investment that would threaten or impair national security national security require review and approval. This review process is dependent upon the interpretation of what is determine to be a risk to national security by the Committee on Foreign Investment in the U.S. (CFIUS).

RESPONSE:

- THE FTA AGREEMENT WILL NOT BE REOPENED FOR NEGOTIATION. THE MEASURES SECURED BY CANADA IN THE LIBERALIZATION OF SERVICES UNDER THE FTA WILL NOT BE JEOPARDIZE BY A NEW AGREEMENT. AREAS UNDER DISCUSSION DURING THE NAFTA NEGOTIATIONS WHICH INCREASE ACCESS TO THE AMERICAN MARKET AND THAT ARE BENEFICIAL THE CANADIAN SERVICE INDUSTRY MAY BE INTEGRATED IN THE FTA, THOUGH THIS IS CONDITIONAL UPON THE NATURE OF THE AGREEMENT.

SERVICES SECTOR : QUESTION #2

Considering the liberalizing action of a NAFTA, will the Canadian industries be able to adjust to the new trading climate?

RESPONSE:

- THE LIBERALIZATION OF TRADE UNDER A NAFTA WILL REQUIRE THE ADJUSTMENT, HOWEVER, THE SCOPE OF SUCH CHANGE WILL BE MARGINAL IN COMPARISON TO THE ON-GOING ADJUSTMENT PRESSURES GENERATED BY GLOBALIZATION, TECHNOLOGICAL ADVANCEMENT AND CHANGING CONSUMER DEMANDS.
- THERE ARE IN PLACE ALREADY GOVERNMENT ADJUSTMENT PROGRAMS AT BOTH THE FEDERAL AND PROVINCIAL LEVELS. THESE PROGRAMS, ALONG WITH APPROPRIATE NEGOTIATING OBJECTIVES SUCH AS PHASED TARIFF ELIMINATION, RULES OF ORIGIN AND OTHER SAFEGUARD MEASURES WILL SMOOTH THE IMPLEMENTATION OF THE TRILATERAL AGREEMENT IN CANADA.