

United States and other industrial countries have made this a priority for the next round of multilateral negotiations. Bilateral negotiations, therefore, are likely to be coordinated closely with multilateral negotiations since the same issues will arise in both.

One precedent for bilateral negotiations was established mid-1985 in preparing the United States-Israel Free Trade Area Agreement. Both parties agreed to broad principles for trade in services, including both the right of establishment and national treatment. The key element of the U.S.-Israeli agreement provides for future sector-by-sector negotiations that will implement these principles for particular service sectors.

Following the U.S.-Israeli model, a bilateral agreement about trade in services could involve commitments to permit right of establishment and national treatment in service sectors included in the agreement. In principle, granting national treatment to foreign firms and permitting them to enter a service industry would not necessarily eliminate differences between the domestic regulatory systems in the two countries. For example, some U.S. trucking firms operate in Canada and some Canadian firms operate in the United States despite the fact that the industry is more heavily regulated in Canada. The recent dispute between the two countries over trucking regulation, however, illustrates the potential difficulties: since Canadian firms already have licenses to operate routes in Canada, U.S. firms perceived Canadian limitations on the entry of new carriers on particular routes to be discriminatory.

Agreements on trade in services are likely to be more easily negotiated in sectors where the pattern and level of regulatory activity in the two countries is broadly compatible. Right-of-establishment and national-treatment commitments could place potential limitations on regulatory policies and thus might accelerate economic pressures for deregulation in some