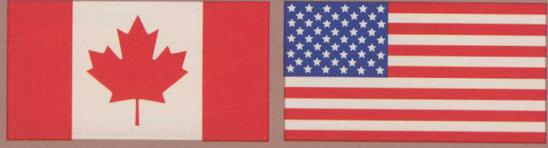


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**CANADA - UNITED STATES**

# Partners in Free Trade

# The Partners Move Ahead

Canada and the United States are moving toward a two-way trade without barriers.

It is a process solidly based on the economic realities of the late 20th century. Canada and the United States are vital components of the world economy as well as each other's best customers. They are both active, innovative members of the General Agreement on Tariffs and Trade (GATT).

Their Free Trade Agreement, now before Canada's Parliament and the U.S. Congress, complements GATT and reflects the commitment of the Canadian and the U.S. governments to liberalized, global trade. It sets the pace for other trading nations.

The agreement is complex—the text and annexes cover 1,400 pages—but its underlying principles can be stated simply. **Free trade means more trade.** Protectionism stifles trade, costs jobs and damages everyone, even those it is designed to protect.

## GATT

The General Agreement on Tariffs and Trade was signed by 23 countries, including the United States and Canada, in October 1947. The GATT now has 95 members and 30 others apply its rules on a *de facto* basis. The GATT rounds of negotiations have resulted in a significant liberalization of international trade relations. As part of the current round of trade talks, which began in Uruguay in 1986, GATT members will meet in Montreal, Quebec, in December 1988 to consider possible changes in agriculture, services, tariffs and non-tariff barriers.

## The Partnership

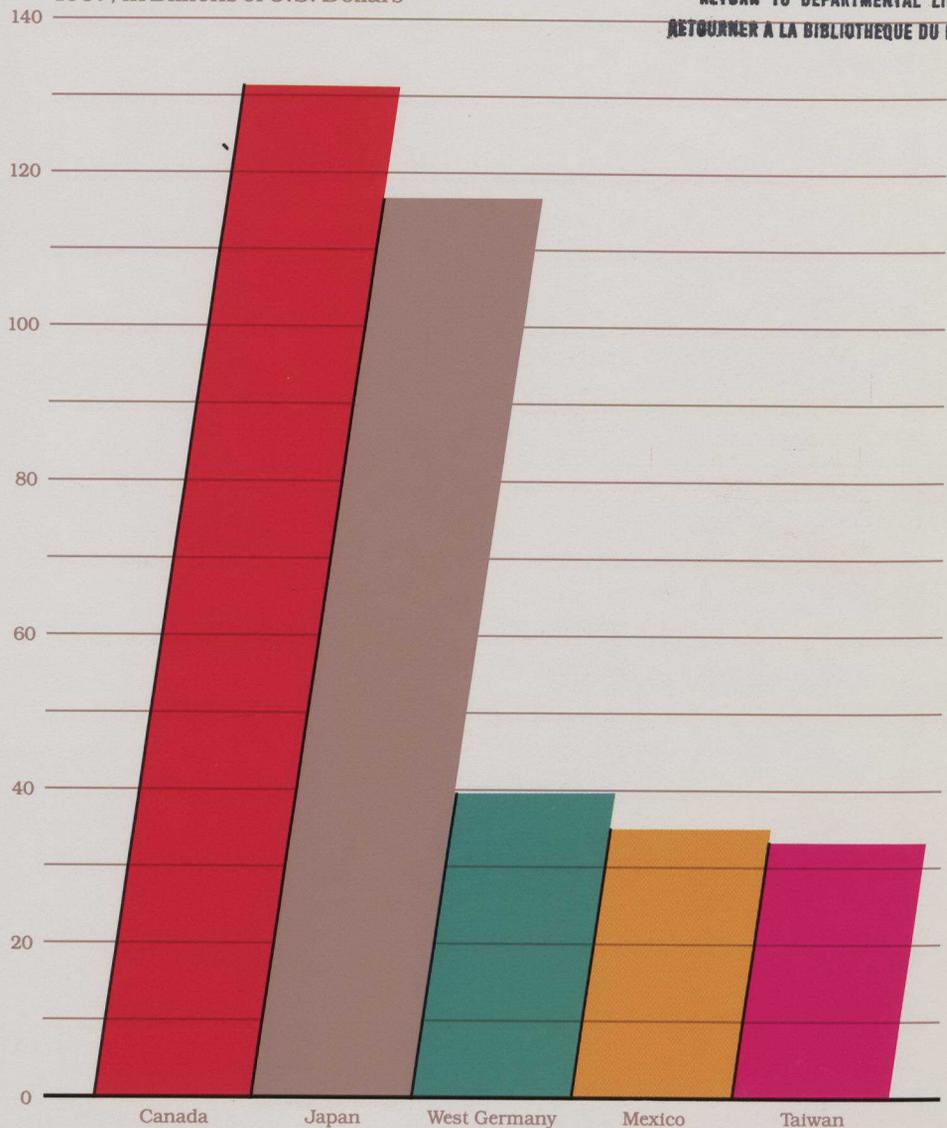
The Canada-U.S. trading exchange is the largest in the world.

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## U.S. MERCHANDISE TRADE

1987, In Billions of U.S. Dollars

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RETOURNER A LA BIBLIOTHEQUE DU MINISTERE



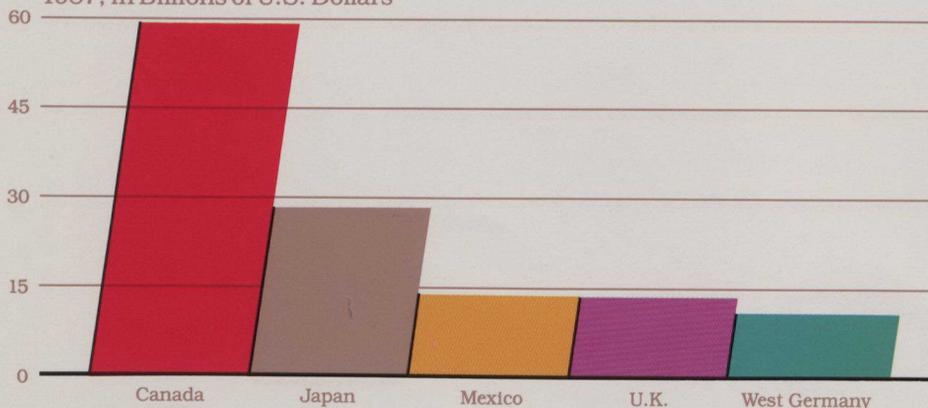
Source: U.S. Department of Commerce

## U.S. Markets

More than 23 percent of U.S. exports go to Canada. The United States exports to Canada more than twice the amount it sells to Japan, its next largest export market.

## U.S. MERCHANDISE EXPORTS

1987, In Billions of U.S. Dollars



Source: U.S. Department of Commerce

## DEFENCE PRODUCTION AND DEFENCE DEVELOPMENT SHARING

The Canada-U.S. Defence Production and Defence Development Sharing Arrangements are based on a 1941 agreement between President Roosevelt and Prime Minister Mackenzie King. In recognition of the fact that North America is a single, integrated defence industrial base, they promote free trade in defence matériel and equipment.

## Services

Services have become the largest source of jobs and economic activity in the U.S. and Canada.

### U.S. SERVICES TRADE

1987, In Billions of U.S. Dollars



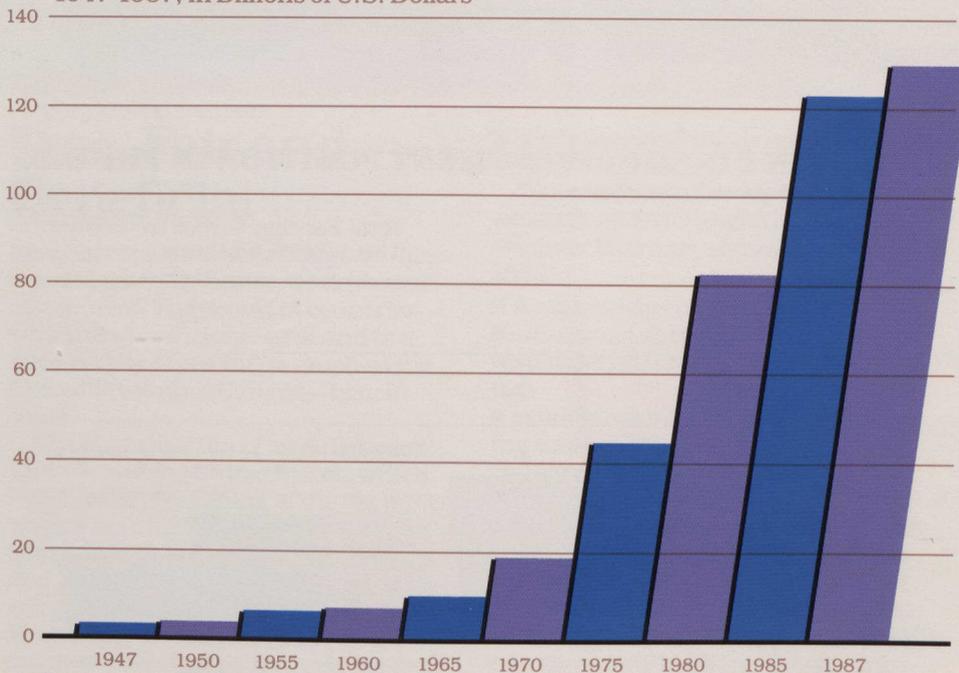
Source: U.S. Department of Commerce

## Trade Growth

The United States' merchandise trade with Canada has grown from (U.S.) \$3 billion in 1947, the year the GATT was signed, to \$131.3 billion in 1987.

### U.S.-CANADA MERCHANDISE TRADE

1947-1987, In Billions of U.S. Dollars



Source: Statistics Canada. Converted to U.S. dollars using yearly average exchange rate.

## TARIFF ELIMINATION SCHEDULE

Examples of tariffs scheduled for elimination on January 1, 1989, include:

- Computers and equipment**
- Some processed fish**
- Vending machines and parts**
- Leather**
- Warranty repairs**
- Animal feeds**
- Skis**
- Skates**
- Unwrought aluminum**
- Some pork**
- Fur and fur garments**
- Airbrakes for rail cars**
- Yeast**
- Whiskey**
- Telephone and PBX equipment**

Examples of those scheduled for elimination in five steps, beginning January 1, 1989:

- Subway cars**
- Printed matter**
- Hardwood plywood**
- Paper and paper products**
- Aftermarket auto parts**
- Chemicals**
- Furniture**
- Paints**
- Most machinery**
- Explosives**

Examples of those to be eliminated in 10 steps, most starting January 1, 1989:

- Most agricultural products**
- Textiles and apparel**
- Softwood plywood**
- Railcars**
- Steel**
- Appliances**
- Pleasure craft**
- Tires**

## DISPUTES

The Free Trade Agreement recognizes the responsibility of the two governments for the administration and evolution of the trading relationship. A bilateral commission of government representatives will have primary responsibility for implementing the agreement and settling significant disputes. In some cases disputes may be referred to panels of experts for their recommendations. Other panels will render binding decisions in appeals of trade remedy actions and will advise both governments on legislation which might impinge on the terms of the agreement.



Massena, N.Y., lock of the St. Lawrence Seaway. The Seaway International Bridge between Cornwall, Ont., and Rooseveltown, N.Y., is in the background.

## Free, Fair and Beneficial

Free, fair trade benefits everyone—producers, manufacturers, workers and consumers. The people in countries which trade on a large scale and in a wide variety of products—such as the United States and Canada—benefit most.

The liberalization of trade between Canada and the United States, which began with the signing of the Reciprocal Trade Pact of 1935, was given further impetus with the Defence Production and Defence Development Sharing Arrangements that grew out of World War II, and the Auto Pact of 1965. The GATT rounds of negotiations on multilateral

trade have significantly enhanced bilateral trade as well.

The new Free Trade Agreement, which President Reagan and Prime Minister Mulroney signed on January 2, 1988:

- facilitates fair competition;
- eliminates all tariffs and most other restrictions on trade over a 10-year period;
- establishes a set of principles covering trade in services, including financial services;
- expands investment opportunities;
- establishes procedures for the avoidance and resolution of trade disputes;
- liberalizes access to federal government procurement in both countries;
- ensures security of supply and security of markets in energy products for both countries;

- reduces barriers to trade in wine and distilled spirits;
- facilitates business travel between the two countries.

The agreement's rules of origin ensure that only American and Canadian products will benefit from the elimination of tariffs and non-tariff barriers.

The agreement breaks ground in areas of fundamental importance. It is the first international agreement to eliminate export subsidies in agriculture. It is the first to recognize the growing importance of trade in services, the major new generator of wealth among nations. It establishes a new, hospitable and secure climate for transborder investment.

## The Future

The Free Trade Agreement is now up for final consideration. The processes in the two countries are different. In Canada the Prime Minister is a Member of Parliament and, by definition, the leader of the majority party, and approval of the implementing legislation can be assumed. In the United States, Congress authorized a "fast-track" procedure for consideration of a free trade arrangement between the United States and Canada, which permitted the negotiators to shape a single, comprehensive package. The implementing legislation will be voted up or down, without amendment. A simple majority in both the House of Representatives and the Senate is required for approval. Congressional leaders have agreed that a vote on the legislation will take place before the end of the year.

The agreement is a harbinger of a

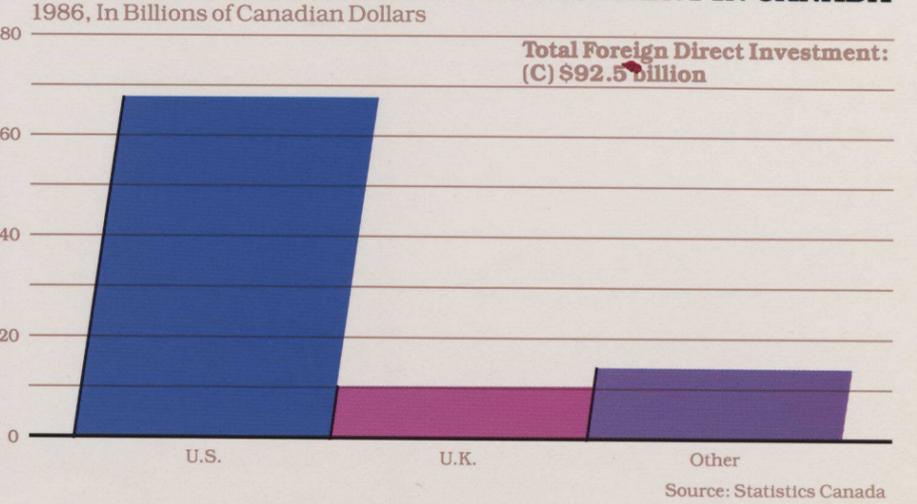
prosperous future. It will increase the volume of trade, increase employment and raise real income in both countries. A U.S. Commerce Department survey has projected a \$25-billion increase in two-way trade over a five-year period and the creation of tens of thousands of new jobs as a consequence. In Canada, government estimates forecast a permanent increase in real income of 2.5 percent and a net increase of 120,000 new jobs by 1993.

The nations of the world are irrevocably interdependent. A sustained attempt to reverse the thrust of the last half century and re-build the tariff walls of the early 20th century would destroy markets and create economic chaos. The Canada-United States Free Trade Agreement charts a new course for the two partners in the most important bilateral trading relationship in the world, and it sends out a powerful signal against protectionism and for trade liberalization.

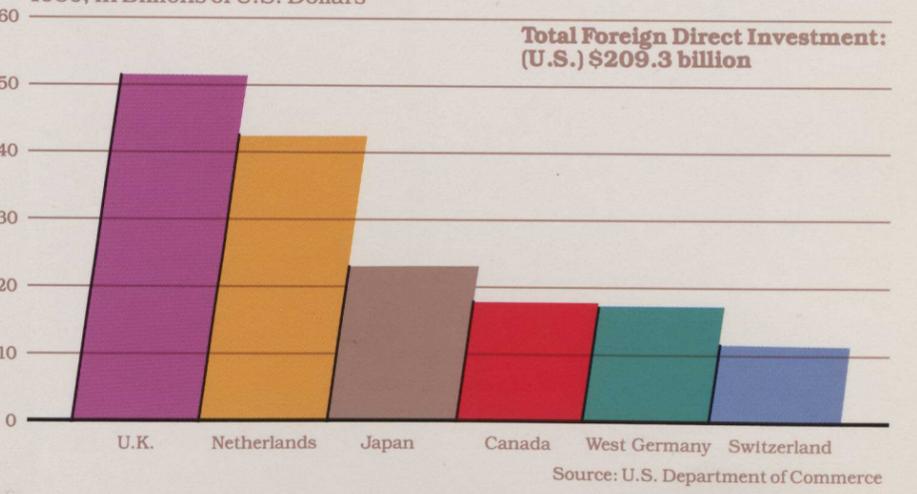
## Investment

The U.S. is the largest single source of direct foreign investment in Canada, with 73 percent of the total in 1986. Canada is the fourth largest source of foreign direct investment in the U.S., with almost 9 percent of the total stock.

### STOCK OF FOREIGN DIRECT INVESTMENT IN CANADA

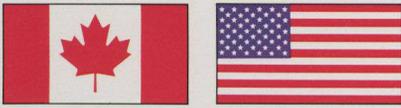


### FOREIGN DIRECT INVESTMENT POSITION IN THE U.S.



### THE AUTO PACT

The Auto Pact, signed in 1965, provides for duty-free trade in cars, trucks, buses and original equipment parts. It has led to the almost total integration of the North American auto industry, enabled American manufacturers to maximize efficiency of operations in the two countries, and provided employment security to auto workers. Two-way trade covered by the Auto Pact has grown from (U.S.) \$2 billion in 1966 to \$41.9 billion in 1987. The Free Trade Agreement builds upon the Auto Pact and provides for a special blue-ribbon panel to consider the future of the North American automotive industry.



CANADA - UNITED STATES

## Free Trade Agreement

# Managing the Relationship

The Free Trade Agreement between Canada and the United States is a framework for the management of the world's largest and most complex two-way trade, one which totalled over (U.S.)\$ 161 billion in goods and services in 1987.

The agreement sets out rules for trade in manufactured goods, agricultural products, energy and services. It gives special attention to financial services and investment flows.

The agreement provides for the continued involvement of both governments in its administration, implementation and elaboration as well as in the resolution of disputes.

## The Canada-United States Trade Commission

The Canada-United States Trade Commission, jointly chaired by the cabinet-level American and Canadian international trade officials, will have primary responsibility for implementing and elaborating the agreement and for avoiding and resolving any disputes connected with it.

Under its authority four working groups will oversee the carrying out of the agreement's provisions, ranging from the setting of technical standards to facilitating temporary business travel. Eleven other groups will work out specific applications in such areas as agriculture, automotive trade and subsidies, and other unfair pricing practices.

The Commission will meet at least once a year, alternating between Washington, D.C., and the Ottawa region, and it may be convened by either government, at any time, to consider any matter relating to the operation of the agreement. It may also seek the advice of the private sector and of other experts as appropriate.

## Dispute-Settlement

If the Commission is unable to resolve a dispute, either government may request that a binational panel be created to consider the matter. The panel members, chosen from rosters drawn up by the two countries, would report within a specified time on the facts and on the obligations involved under the agreement and would recommend appropriate solutions. The Commission would be expected to implement the recommendations.

The two governments may also, by agreement, refer the dispute to a binational arbitration tribunal for a ruling that would be binding on both.

## Antidumping and Countervailing Duties

Special provisions are made for the settlement of disputes on the application of antidumping and countervailing duty laws by either country to imports from the other. The laws of each country in these areas (based on the General Agreement on Tariffs and Trade, GATT) remain in place, and private parties may continue to seek relief before domestic agencies. Final decisions by such agencies, under the terms of the agreement, will be subject to review by binational panels, instead of by domestic courts.

Either government may request a panel, made up of persons chosen from rosters drawn up by both. Its rulings will be binding on questions concerning the proper application of such laws in such cases.

In exceptional circumstances, where fraud or a fundamental miscarriage of justice is suspected, a special binational panel of present and former judges may be convened to review decisions by other panels.

If either country wishes to change its antidumping or countervailing duty laws and apply the changes to the other, the other country must be specifically named and notified. A binational panel may review any such proposed change and issue a declaratory judgment on whether the change is consistent with the provisions of the GATT, the Free Trade Agreement, and with prior decisions by binational panels.

A working group will be responsible for developing new procedures for dealing with subsidies and dumping practices of both countries, within five to seven years.

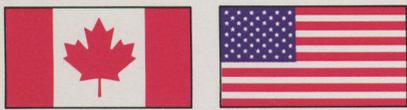
## Financial Services

The Free Trade Agreement covers financial services, including banking, underwriting and the marketing of certain securities. Because of the highly technical nature of government regulation in these fields, differences in these areas would be handled directly through consultations between the Canadian Department of Finance and the U.S. Department of the Treasury.

Canada

Canadian Embassy/Ambassade du Canada





CANADA - UNITED STATES

# Free Trade Agreement

# Agriculture, Wine & Spirits

Canada and the United States are, to a significant degree, still the breadbasket of the world.

Both export great quantities of food—particularly grain—and both buy billions of dollars worth of mostly non-grain agricultural products from each other. The United States has a substantial surplus in bilateral agricultural trade, exporting (U.S.) \$2.9 billion to Canada while importing \$2.1 billion.

The Free Trade Agreement achieves a significant liberalization of trade barriers while leaving the two governments' domestic farm programs essentially in place.

## Grain

Canada and the United States are overwhelmingly exporters, not importers, of wheat and other cereals. The direct exchange between them, although small, has been hampered by non-tariff barriers. Canada will eliminate import permit requirements for U.S. wheat, barley, oats and their products as soon as the levels of the U.S. and Canadian support programs are equalized. Currently U.S. support levels for most grains are higher than Canadian support levels.

## Poultry

The quantities of U.S. poultry, poultry products and eggs imported into Canada will be increased.

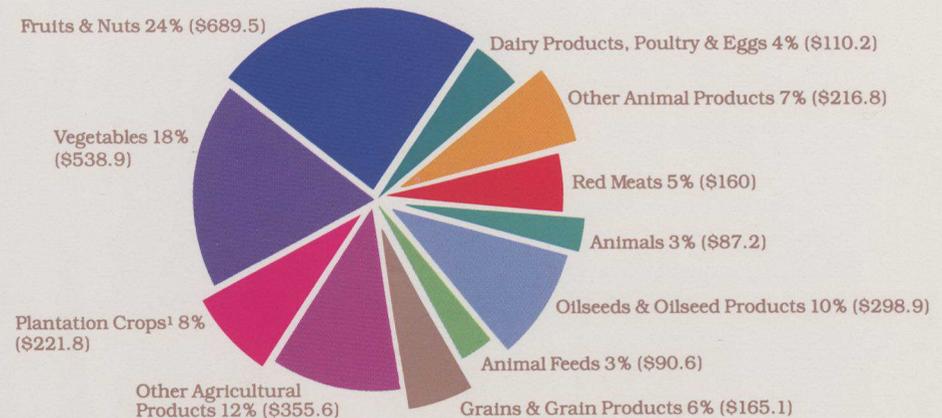
## Meat

Each country will exempt the other from its import laws on beef and veal, subject to certain conditions. This includes protecting the other country from diversion if restrictions are imposed on third countries.

## Subsidies

Canada will eliminate subsidies under the Canadian Western Grain Transportation Act for products moving through western Canadian ports to the United States. Both countries have agreed not to subsidize exports to the other. Existing national trade laws will remain in effect.

## U.S. AGRICULTURAL EXPORTS TO CANADA 1987, By Percentage, In Millions of U.S. Dollars

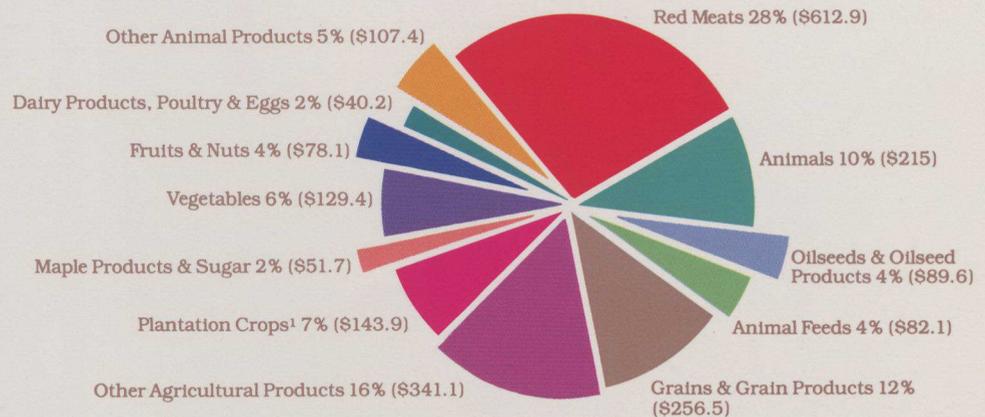


### Total U.S. agricultural exports to Canada: (U.S.) \$2.934 billion.

<sup>1</sup>Includes sugar, cotton and other vegetable fibres, raw tobacco, cocoa, coffee, tea and rubber.

Source: Statistics Canada

## U.S. AGRICULTURAL IMPORTS FROM CANADA 1987, By Percentage, In Millions of U.S. Dollars



### Total U.S. agricultural imports from Canada: (U.S.) \$2.148 billion

<sup>1</sup>Includes raw tobacco, cocoa, coffee, tea and rubber.

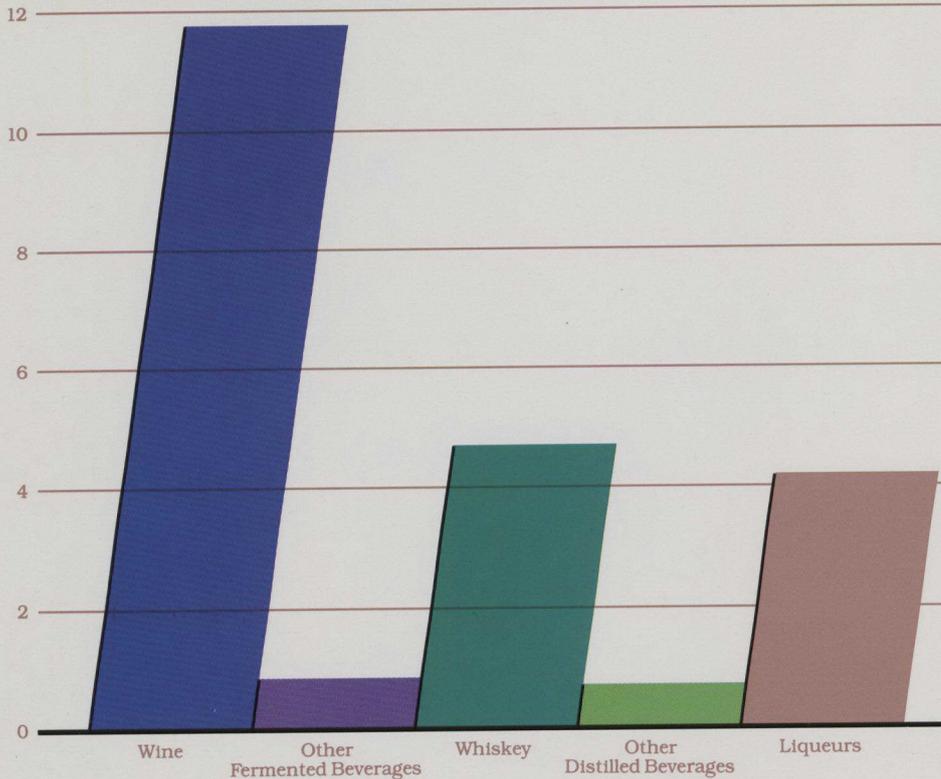
Source: Statistics Canada

## Technical Barriers

Technical regulations and standards affecting the trade in agricultural products and other food and beverage goods are intended to protect human, animal and plant health, but some have served as unwarranted barriers to trade. A number of past or potential irritants—such as a regulation requiring the staining of seeds to denote places of origin—

have been eliminated and both countries have agreed to reduce technical differences. The Free Trade Agreement has 12 schedules covering such areas as feeds, fertilizers, seeds, animals and plant health, veterinary drugs, pesticides, packaging, labelling and inspection.

## U.S. EXPORTS OF WINE AND SPIRITS TO CANADA 1987, In Millions of U.S. Dollars



## Wine and Spirits

Canadians are already U.S. wine producers' best foreign customers and the trade in wine and spirits is growing. Under the Free Trade Agreement the Canadian market for U.S. wine and distilled spirits will expand. The agreement provides for immediate equal treatment in both countries for distilled products and wine and the phasing out of the existing differential pricing, listing and distribution practices of Canada's provincially-controlled alcoholic beverage outlets over seven years. Canada will also eliminate requirements that distilled spirits imported in bulk from the United States be blended with Canadian spirits.

## The Phasing-Out of Tariffs

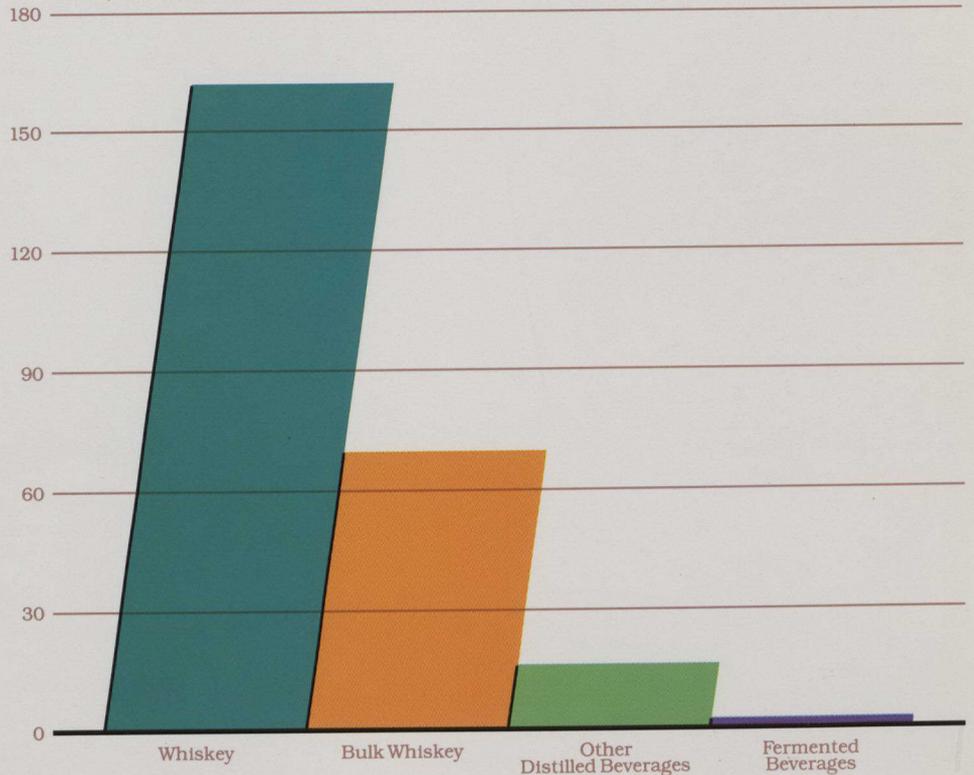
The elimination of tariffs will be gradual, over a 10-year period, to allow time for farmers and processors to adjust. Each country will be permitted to reinstate temporary duties on fruits and vegetables, between 1989 and 2009, in certain low-price situations.

## GATT

Canada and the United States agree that the cooperation of all the major trading countries is essential to ensure a fairer, freer trade in agricultural products.

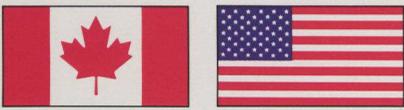
The two countries will work together in the General Agreement on Tariffs and Trade (GATT) negotiations to persuade the other member nations to eliminate all subsidies which distort agricultural trade.

## U.S. IMPORTS OF WINE AND SPIRITS FROM CANADA 1987, In Millions of U.S. Dollars



Canada

Canadian Embassy/Ambassade du Canada



CANADA - UNITED STATES

# Free Trade Agreement

Trade between Canada and the United States in automotive vehicles and parts accounts for over (U.S.) \$46 billion. This is the largest single sector of bilateral trade.

It is also the sector where the two countries have had free trade under a separate agreement—the Auto Pact—since 1965.

The Free Trade Agreement, in effect, incorporates the Auto Pact, but with some very significant improvements.

To take one example, the rule of origin—specifying the level of Canadian or U.S. content to be achieved—has been changed, so that a significantly higher level of content will be necessary for automotive products to qualify for tariff-free treatment.

All tariffs in the automotive sector, including vehicles, original equipment parts and replacement parts, will disappear. Canada's embargo on used cars will be eliminated over five years.

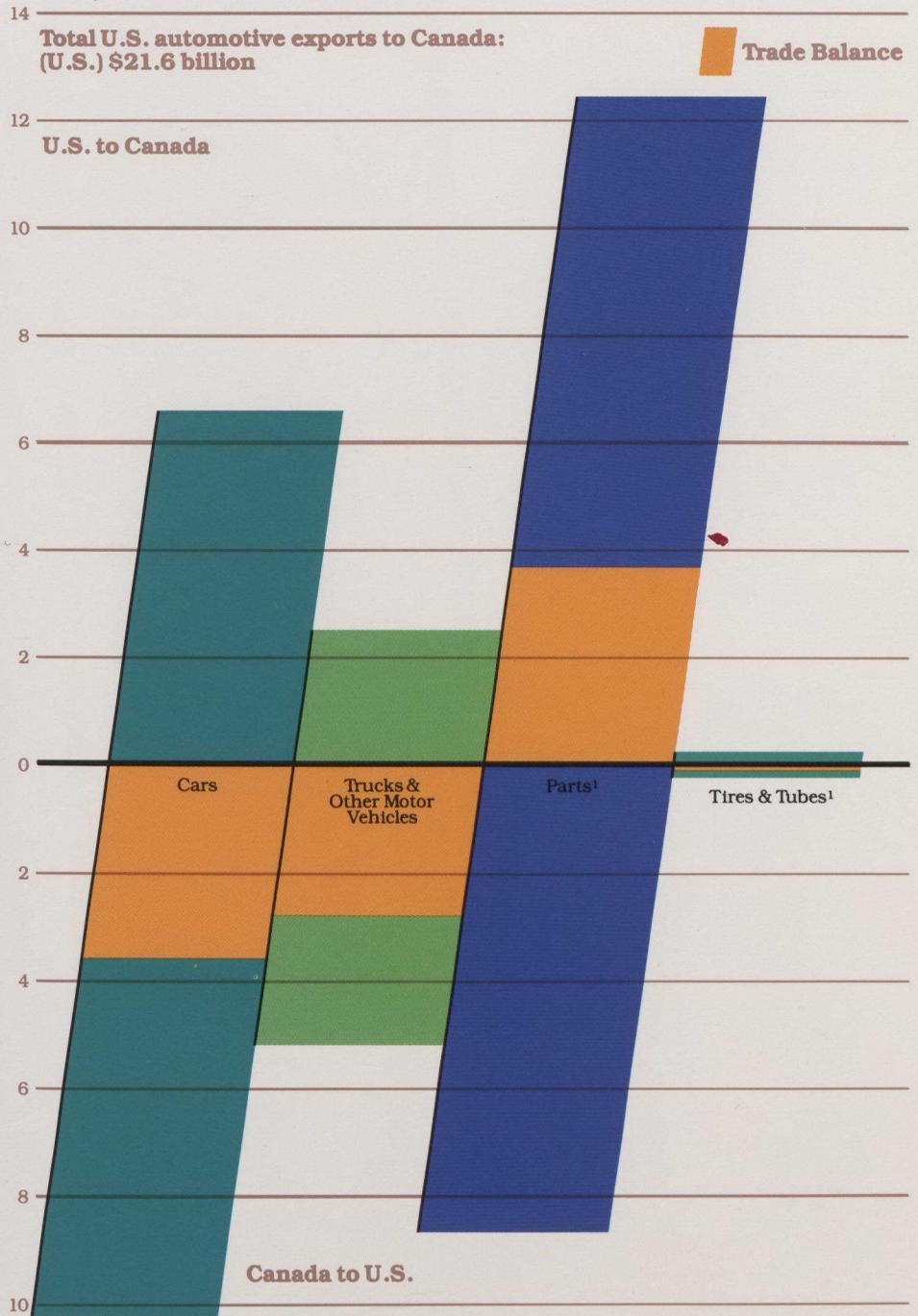
Canada has also agreed to phase out all its duty remission programs and to



# Autos

## CANADA-U.S. TRADE IN AUTOMOTIVE PRODUCTS

1987, In Billions of U.S. Dollars



**Total U.S. automotive imports from Canada: (U.S.) \$24.6 billion**

12

<sup>1</sup>Aftermarket parts (for repair or replacement), an estimated 10 percent of the total parts trade, and tires and tubes, are not included under the Auto Pact. U.S. exports to Canada under the Pact total approximately \$20.2 billion and U.S. imports from Canada, approximately \$22.8 billion.

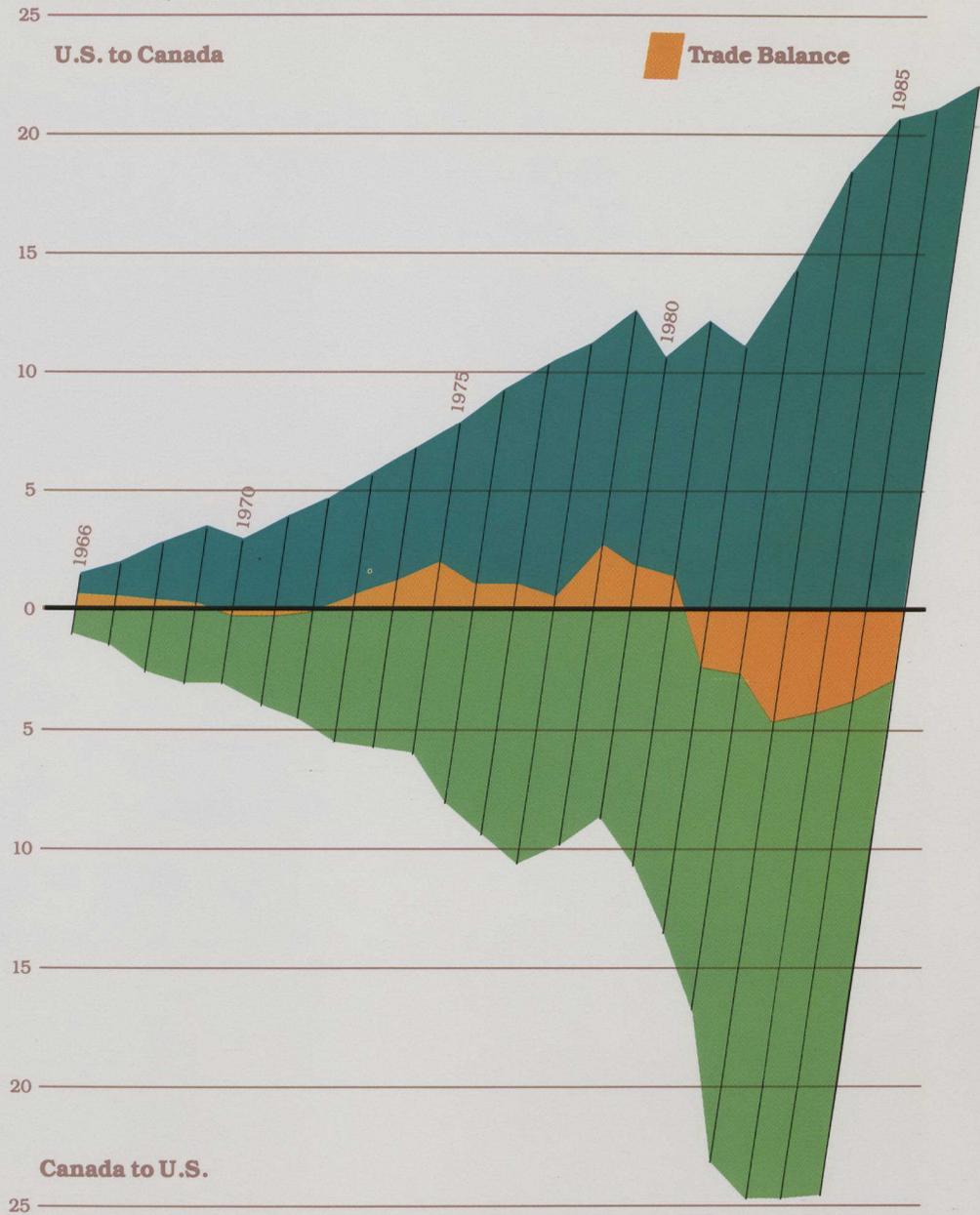
Source: Statistics Canada. Figures are based on import statistics of each country.

eliminate its duty remission on exports to the United States immediately.

Taken together, the auto provisions of the Free Trade Agreement provide major new benefits to the North American automotive industry. They are fully supported by the Big Three automotive companies and many of the automotive parts producers, and should enable the industry as a whole to strengthen its position both in the North American market and in foreign markets.

## CANADA-U.S. TRADE IN AUTOMOTIVE PRODUCTS

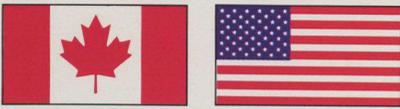
1966-1987, In Billions of U.S. Dollars



Source: Statistics Canada. Figures are based on import statistics of each country.

Canada

Canadian Embassy/Ambassade du Canada



CANADA - UNITED STATES

# Free Trade Agreement

Canada and the United States share the world's largest two-way energy trade. In 1987 it totalled over (U.S.)\$10 billion.

The United States takes 80 percent of Canada's energy exports—chiefly oil, gas and electricity—and supplies 30 percent of its imports.

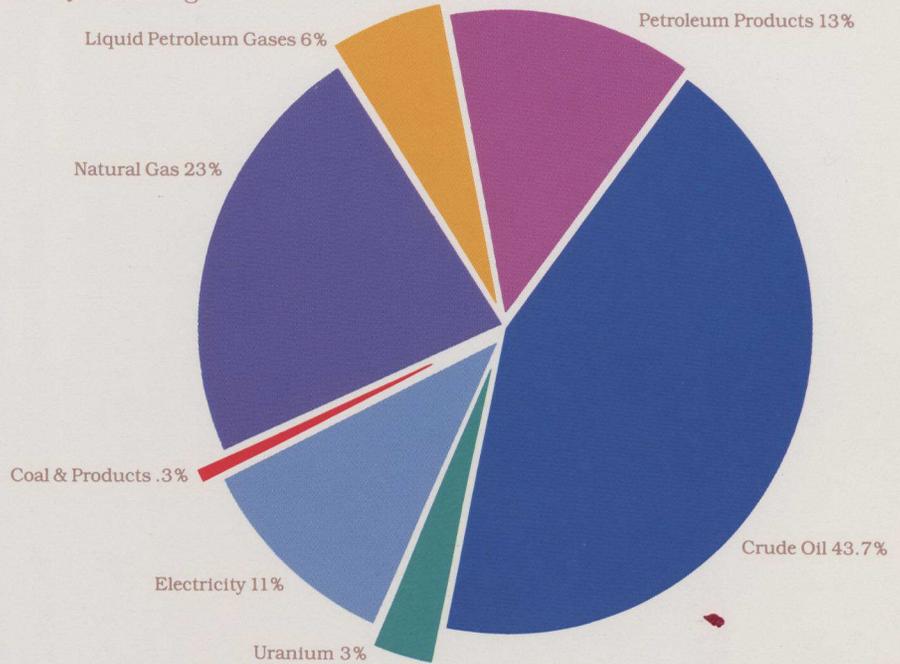
The Free Trade Agreement will have an important long-range impact on U.S.-Canada energy trade. Greater security and lower costs will encourage investment, foster economic growth and international competitiveness and provide stable prices and supplies to industries and consumers in both countries.

## The Agreement

The Free Trade Agreement will, with very limited exceptions, drop virtually all remaining restrictions on energy shipments, such as quotas, export or import taxes, and minimum import or export price requirements, and will preclude the imposition of new restrictions.

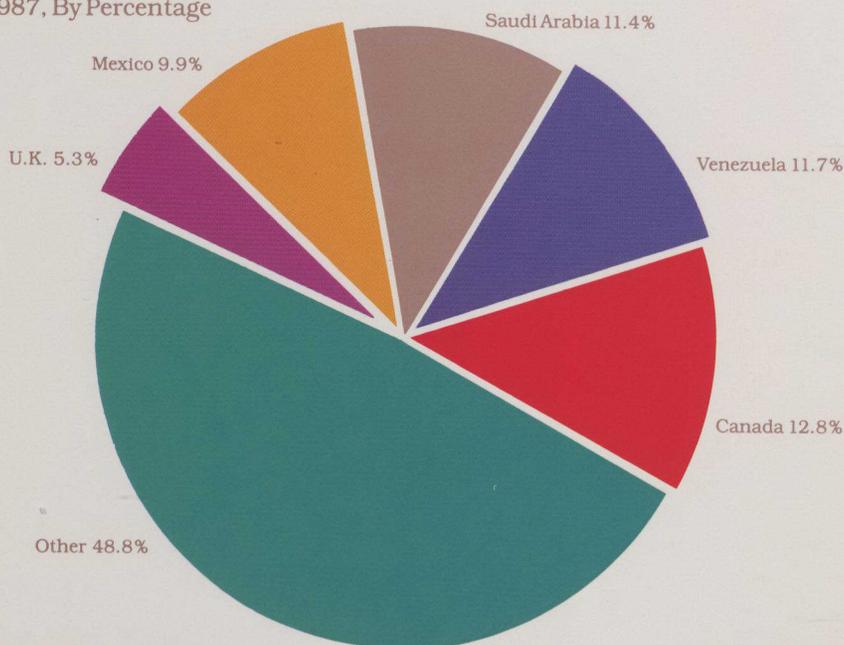
The exceptions involve national security or short supply. The first is limited to

## U.S. ENERGY IMPORTS FROM CANADA 1987, By Percentage



Source: Department of Energy, Mines and Resources Canada

## U.S. IMPORTS OF CRUDE OIL AND PETROLEUM PRODUCTS 1987, By Percentage



**Total U.S. imports:  
6.5 million barrels per day**

Source: U.S. Department of Energy

# Energy

cases concerning nuclear non-proliferation or military threats. The second covers short-supply situations, so that if Canada in future decides to implement measures to limit the consumption of oil, it can reduce exports to the United States proportional to the total supply of oil available in Canada. Both countries will revise technical rules and regulations as much as possible to eliminate trade distortions. The two countries will consult each other on proposed energy regulations which might distort trade.

## Oil

Canada is the United States' largest foreign source of petroleum, shipping roughly 800,000 barrels a day in 1987, some 13 percent of U.S. imports. This trade has already been largely deregulated. Under the agreement, the open border for oil trade will be extended to allow Canada the option of purchasing a limited amount of Alaskan North Slope oil—up to 50,000 barrels a day—which must be transported in U.S. tankers. Free trade in petroleum will benefit producers and consumers in both

countries by permitting the efficient use of refineries, pipelines and other transportation facilities.

## Natural Gas

Canada is virtually the United States' only foreign supplier of natural gas. Last year it shipped 990 billion cubic feet to the United States, about 6 percent of U.S. demand. Much progress has been made on both sides of the border in deregulating natural gas. The Free Trade Agreement will ensure greater stability in the natural gas trade, increasing consumer confidence in natural gas as a secure alternative to imported oil.

## Uranium

Canada accounts for 30 percent of the western world's production of uranium. The Free Trade Agreement maintains the open trade between Canada and the United States in uranium and ensures U.S. access to a secure and reliable source. It exempts the United States from the Canadian requirement that uranium be upgraded before export and removes the threat of restrictions on the enrichment of Canadian uranium in U.S. facilities for U.S. consumption.

## Electricity

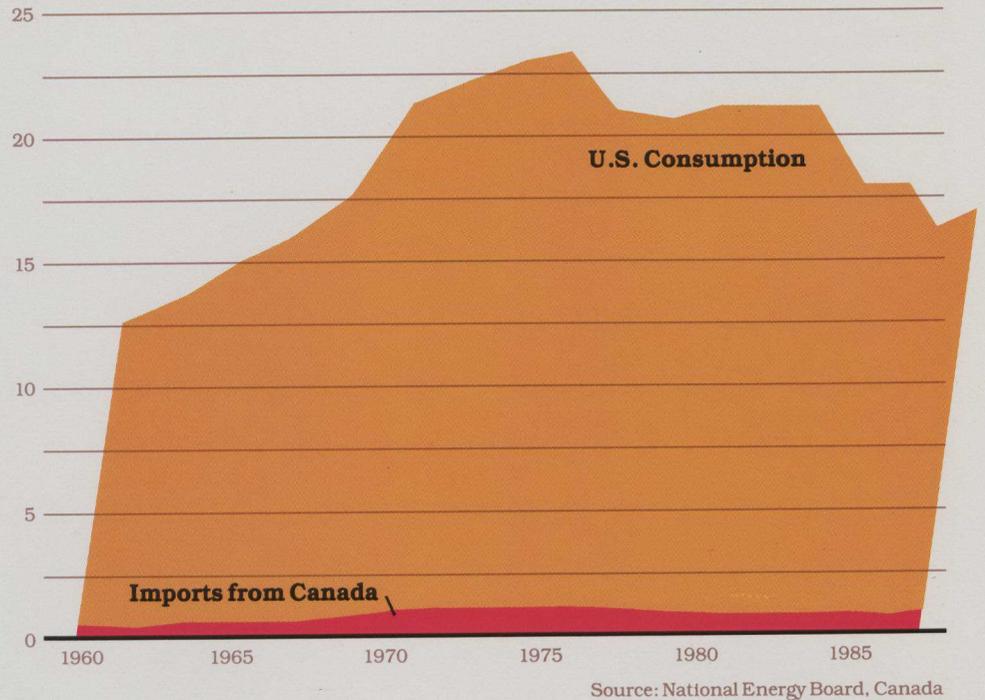
The Free Trade Agreement provides additional support for open electricity trade by removing a Canadian regulatory barrier related to pricing. In 1987, Canada sent some 43,350 GWH to the United States, about 1.8 percent of the U.S. demand, although this share was higher in the Northeast and Midwest. Power generated in Canada has become a significant factor in keeping residential, business and manufacturing costs down in New England and New York State and it reduces U.S. reliance on foreign oil. According to U.S. government estimates, Canadian electricity displaced U.S. imports of 120,000 barrels a day of Persian Gulf crude oil, resulting in a yearly saving of some (U.S.) \$600 million on the U.S. bill for imported oil.

## Coal

Canada is the largest export market for U.S. coal—it bought 15.8 million tons in 1987 or 20 percent of total U.S. exports, worth (U.S.) \$650 million. The United States supplies all of Canada's imported high-quality thermal and metallurgical coal. Ontario steel mills and coal-fired generation facilities depend on the coalfields of the eastern United States.

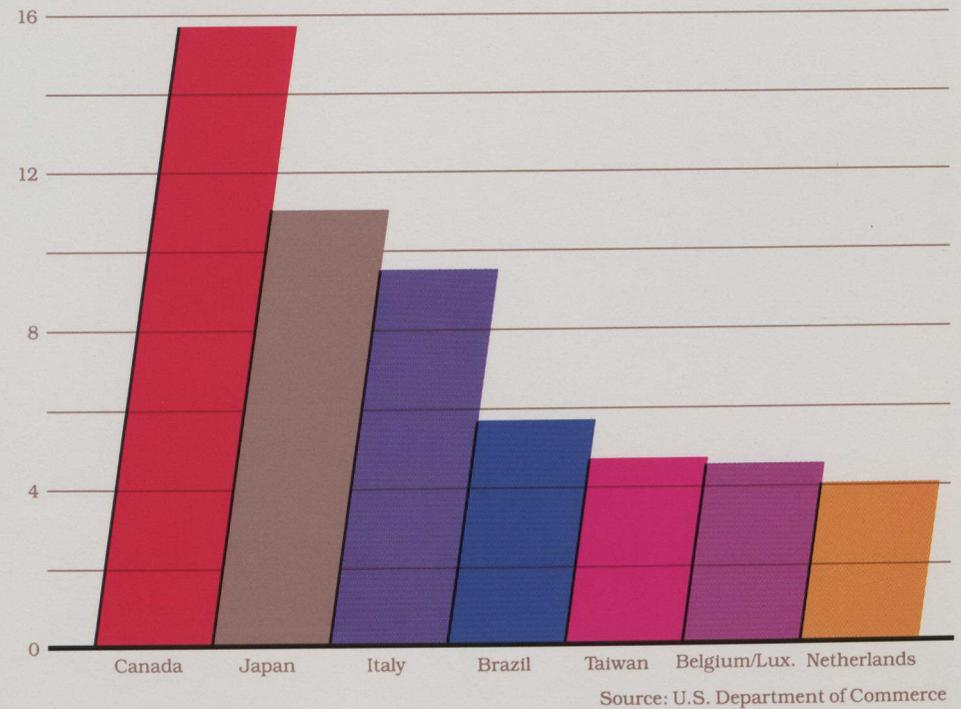
## U.S. NATURAL GAS CONSUMPTION AND IMPORTS FROM CANADA

1960-1987, In Trillion Cubic Feet



## U.S. EXPORTS OF STEAM AND METALLURGICAL COAL

1987, In Millions of Tons

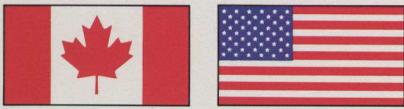


## A Productive Exchange

The Canadian-American energy exchange is a valuable ingredient of North American prosperity. The Free Trade Agreement recognizes the continuing importance of this historic symbiotic relationship.

**Canada**

Canadian Embassy/Ambassade du Canada



CANADA - UNITED STATES

# Free Trade Agreement

## Service Industries

Services are the fastest growing component of international trade, constituting more than 20 percent of total world trade.

Services are the largest source of jobs and economic activity in Canada and the United States. They account for over 66 percent of the U.S. Gross Domestic Product and some 70 percent of U.S. jobs. In Canada, they account for about 70 percent of the GDP and 76 percent of jobs.

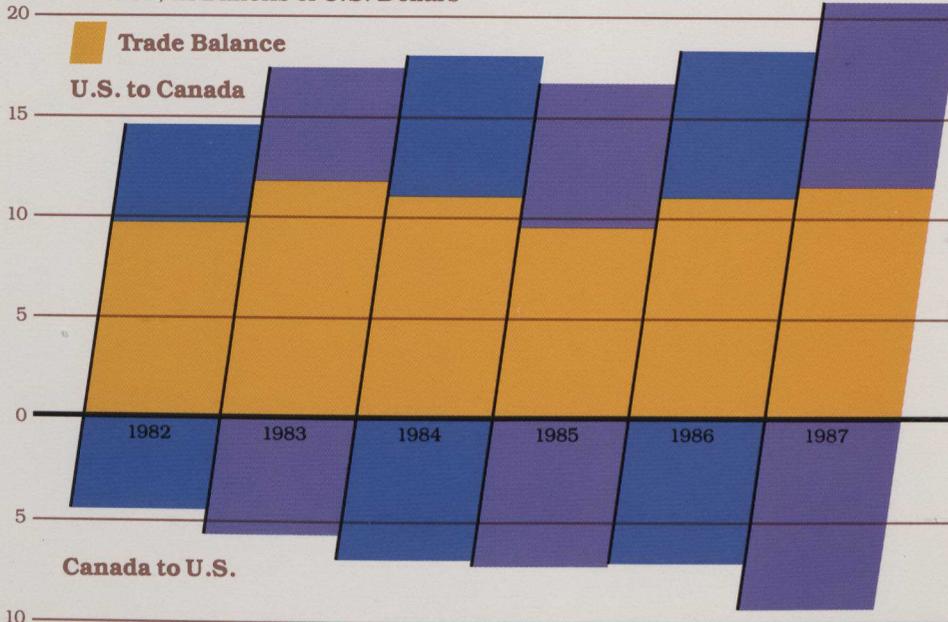
The Canada-United States Free Trade Agreement, scheduled to enter into effect on January 1, 1989, if approved by the Canadian Parliament and the U.S. Congress, is the first agreement to establish a set of rules governing trade in services. Canada and the United States are also working together to have rules on services adopted in the current round of multilateral trade negotiations under the General Agreement on Tariffs and Trade (GATT).

Under the Free Trade Agreement, Canada and the United States will:

- Treat each other's service businesses the same way they treat their own in any future laws or regulations.
- Apply this principle of "national treatment" to a broad range of over 150

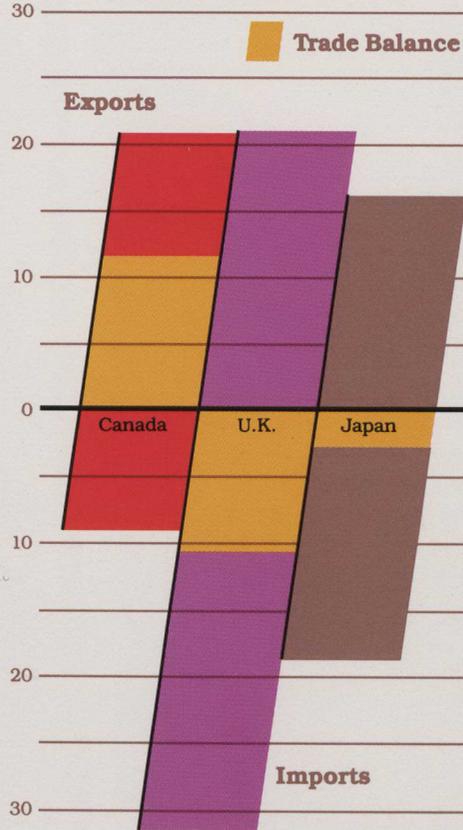
## U.S.- CANADA SERVICES TRADE

1982-1987, In Billions of U.S. Dollars



## U.S. SERVICES TRADE

1987, In Billions of U.S. Dollars



Source: U.S. Department of Commerce

# Services

## Services Covered by the Free Trade Agreement

- AGRICULTURE AND FORESTRY**
  - Soil preparation
  - Crop planting, cultivation and protection
  - Crop harvesting (primarily by machine)
  - Crop preparation for market
  - Farm management
  - Landscape and horticulture
  - Forestry (such as reforestation and firefighting)
  - Livestock and animal specialty services (except veterinary)
- MINING**
  - Metal mining
  - Coal mining
  - Oil and gas field services
  - Non-metallic minerals mining (except fuels)
- DISTRIBUTIVE TRADE**
  - Wholesale trade
  - Vending machines
  - Direct selling
- INSURANCE AND REAL ESTATE**
  - Insurance
  - Segregated and other funds services (managed by insurance companies only)
  - Insurance agency and brokering services
  - Subdivision and development services
  - Patent ownership and leasing
  - Franchising
  - Real estate agency, management and leasing

(continued)

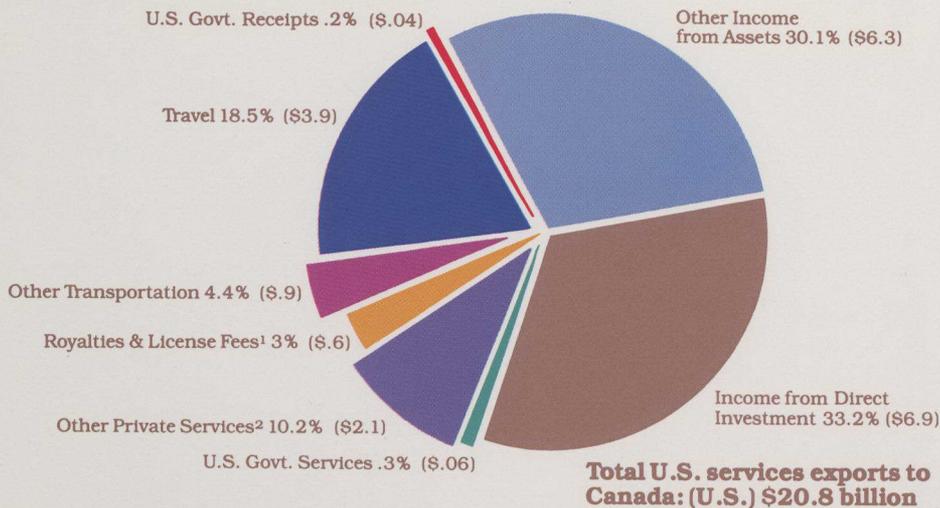
U.S. exports to Canada include receipts of income on U.S. assets in Canada. U.S. imports include payments of income on Canadian assets in the United States. U.S. imports are calculated on a customs basis.

Figures for 1987 are preliminary.

Source: U.S. Department of Commerce

## U.S. SERVICES EXPORTS TO CANADA

1987, By Percentage, In Billions of U.S. Dollars



<sup>1</sup>Payments for use or sale of intangible property rights, including patents, industrial processes, trademarks, copyrights, franchises, designs, know-how, formulas, techniques and manufacturing rights.

<sup>2</sup>Direct investment services including fees for management, professional and technical services, charges for use of tangible property, film and television tape rentals and all other charges and fees.

Source: U.S. Department of Commerce

service industries in areas such as: agriculture and forestry, mining, construction, distributive trade, insurance and real estate, a wide range of commercial activities, computers and enhanced telecommunications, and tourism. Transportation services are not included in the agreement and financial services are treated separately.

■ Simplify procedures for temporary entry by business persons, including professionals, traders and investors, and intra-company transferees.

Canada is already a large and dynamic market for services sold by U.S. firms. In 1987, the United States sold Canada (U.S.)\$20.8 billion worth of services and bought \$9.3 billion. As the Free Trade Agreement is implemented, there will be even greater trade opportunities for service industries on both sides of the border.

## Financial Services

Under the Free Trade Agreement, Canada and the United States have agreed to relax certain regulations in order to provide financial institutions, securities firms and investors with significantly greater opportunities to do business on both sides of the border. The agreement will provide the following benefits:

■ U.S. firms and investors are exempted from some aspects of the Canadian federal government regulation barring any single non-resident from acquiring more than 10 percent of

the shares or any combination of non-residents from acquiring more than 25 percent of the shares of federally regulated Canadian-controlled financial institutions other than banks;

■ U.S. bank subsidiaries in Canada will be exempted from the current 16-percent asset ceiling on the size of the foreign bank sector.

## Investment

Cross-border investments have created new wealth and new jobs in Canada and the United States. The Free Trade Agreement establishes a fair and predictable investment climate so that investment will flow more freely in the future.

Under the agreement, Canada and the United States will, in general, ensure that future regulations treat Canadian investors in the United States and American investors in Canada no differently than domestic investors. The governments will have some flexibility in applying this national treatment principle, in that existing laws, policies and practices in both countries which differentiate between foreign and domestic investors are grandfathered. Canada will continue to review foreign investment and has agreed to phase in more liberalized rules on the acquisition of existing Canadian businesses by U.S. investors.

## COMMERCIAL SERVICES

Commercial cleaning  
Advertising and promotion  
Credit bureaus  
Collection agencies  
Stenography, reproduction and mailing  
Telephone-answering  
Commercial graphic art and photography  
Services to buildings  
Equipment rental and leasing  
Personnel supply  
Security and investigation  
Security systems  
Hotel reservations  
Automotive rental and leasing  
Commercial education correspondence

## CONSTRUCTION

Building, developing and general contracting  
Special trade contracting

## PROFESSIONAL SERVICES

Engineering, architecture and surveying  
Accounting and auditing  
Agrology  
Scientific and technical services  
Management consulting  
Library services  
Agricultural consulting  
Non-professional accounting and bookkeeping  
Training  
Commercial physical and biological research  
Commercial economic, marketing, sociological, statistical and educational research  
Public relations  
Commercial laboratory testing  
Repair and maintenance  
Other business consulting

## MANAGEMENT SERVICES

Hotels and motels  
Health care facilities  
Buildings  
Retail  
Packing and crating

## OTHER SERVICES

Computer services  
Telecommunications-network-based enhanced services  
Tourism

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