

involving a dumping determination on steel wire rod was withdrawn. Also during this period, six panel decisions were issued involving magnesium, carbon steel and softwood lumber products.

In other developments, one Extraordinary Challenge Committee (ECC) proceeding involving the United States and Canada was filed relating to softwood lumber from Canada; this proceeding is still active. As well, the Committee issued a decision in another ECC proceeding involving Canada and the United States in the matter of pure magnesium.

At Canada's initiative, during the July 2004 Commission meeting, trade ministers noted the value of the NAFTA dispute settlement provisions and reaffirmed their commitment to their effective operation. Additionally, Canada continuously reminds its NAFTA partners that it is in the interests of all three countries to ensure that panel decisions are respected and implemented properly, in order to protect the integrity of the Agreement. The Prime Minister registered this message directly with President Bush during their meeting on November 3, 2004. The Prime Minister and the President agreed that officials should review NAFTA Chapter 19 (Review and Dispute Settlement in Anti-Dumping and Countervailing Duty Matters) to ensure its effective operation.

### **Standards-related Measures**

Canada continues to engage in a constructive dialogue with its NAFTA partners, principally in the NAFTA Committee on Standards-related Measures. Canada's position is that national regulatory burdens on industry should be minimized given the increasingly integrated North American market.

The recently released report of the External Advisory Committee on Smart Regulation stressed the importance of international regulatory cooperation for building a competitive economy. It argued that minimizing regulatory differences is essential in order to enhance Canada's competitiveness in the global market.

The NAFTA sectoral subcommittees (automotive, land transportation, telecommunications and textile labelling) provide a forum for trilateral cooperation in the area of standards and regulations. Some headway is being made in these committees (e.g. a memorandum

of understanding is close to being finalized with respect to the use of care symbols on textile and apparel goods). The committees serve as an excellent forum for the further development of regulatory cooperation.

Canada is also working to enhance bilateral dialogue at the provincial and state levels in order to increase cooperation in the development of standards and regulations.

Canada will continue to encourage and foster, through collaborative efforts with the United States and Mexico, compatible standards-related measures, including the development and use of voluntary consensus standards for the North American market as a substitute for national regulatory requirements. Success in this area would positively affect existing trilateral trade.

## *The United States*

### **Overview**

It is difficult to overstate the importance of Canada's trading relationship with the United States. Canada and the United States are each other's largest customers and biggest suppliers. This relationship is of paramount importance to Canada. Canada and the United States share the largest bilateral flow of goods, services, people and capital in the world, moving approximately \$1.8 billion in goods and services across the border each day.

Between 1994 and 2004, two-way trade in goods increased at an annual compounded rate of approximately 6%. In 2004, Canada exported \$352 billion in goods to the United States and imported \$250 billion in return. About 79% of Canadian goods and services exports are destined for the United States, and these exports are equivalent to 30% of the value of our GDP. Services exports to the United States totalled \$36 billion in 2004, with corresponding imports of \$41.8 billion.

Since the implementation of the Canada-U.S. Free Trade Agreement (FTA) in 1989, two-way trade has tripled, and since January 1, 1998, virtually all Canada-U.S. trade has been tariff-free, fostering increased trade and investment among the partners.