
FOREWORD

Canada and the United States are each other's principal trading partner, and have the largest two-way trading relationship in the world. In 1994, the value of goods, services and investment income flowing between Canada and the United States totalled C\$403.2 billion. The bilateral relationship has been considerably enhanced through a series of trade agreements which have led to a reduction of barriers to trade and investment. Since the implementation of the Canada-United States Free Trade Agreement (FTA) on January 1, 1989, there has been a major expansion of 61% in two-way trade of goods, services and investment income.

On January 1, 1994, the North American Free Trade Agreement (NAFTA) was implemented and now governs the trading relationship between Canada, the United States and Mexico. The NAFTA improves the FTA in many areas and further reduces trade barriers that affect Canadian exports to the United States. During the first year of the NAFTA two-way merchandise trade between Canada and Mexico increased 21.3%. The expansion of trade with the United States also continued strongly, with two-way merchandise trade up by 22% in 1994. Under the NAFTA more than 30 trilateral Committees and Working Groups have been established to make further progress in areas such as technical standards, rules of origin and government procurement. The Working Groups on Anti-dumping and Subsidies/Countervailing Duties, for example, provide an opportunity to negotiate improved disciplines on the use of trade remedy measures.

On January 1, 1995, the World Trade Organization (WTO) came into effect as a result of the conclusion of the Uruguay Round of multilateral trade negotiations. The WTO will have a significant impact on Canadian trade with both the United States and the rest of the world. The OECD estimates that the quantifiable gains for Canada will be approximately \$3.0 billion annually. The WTO is a breakthrough multilateral trade agreement, bringing the new trade areas of services and intellectual property, as well as agriculture under international trade disciplines for the first time. It strengthens the previous GATT rules on dispute resolution, and together with the NAFTA dispute settlement provisions, provides Canada with improved means to address bilateral trade barriers. In addition, the WTO will lead to substantial access improvements for Canadian exporters in many areas through new disciplines such as those on the use of anti-dumping and countervailing duty measures, and, for the first time, an internationally-agreed definition of subsidies.

Over the past year, Canada protected and improved access for Canadian exporters to the U.S. market through numerous consultations, negotiations and dispute settlement procedures. The following illustrate the range of issues dealt with:

- ▶ The successful pursuit of Canadian rights under Chapter 19 of the FTA resulted, in August 1994, in the United States revoking the countervailing duty on Canadian softwood lumber, and commencing the refund to Canadian exporters of more than \$800 million in duty deposits collected since 1992.
- ▶ A dispute which could have reduced Canadian wheat exports to the United States to less than half their existing levels, was resolved through the negotiation of a bilateral Memorandum of Understanding on trade in grains. The MOU preserved Canadian access and established a "Joint Commission on Grains" to examine and make non-binding recommendations on grain marketing and support systems in both countries;