

and is pleased with the passport exemptions proposed on January 22, 2007 (for minors, youth sports teams, and cultural and social groups) and with the cooperative efforts to pilot an enhanced driver's licence in British Columbia and Washington State.

As well, the U.S. Department of Agriculture's Animal and Plant Health Inspection Service published an interim rule on August 25, 2006, subjecting Canadian-produced fruits and vegetables to agricultural quarantine inspections at U.S. ports of entry. The interim rule requires fees to be collected on all commercial shipments (agricultural and non-agricultural) and from airline passengers coming from Canada, with the stated purpose of recovering the costs of these inspections. The fees are calculated to cost Canadian border users (rail, trucking, air and marine) an estimated \$78 million in the first year they are implemented. Canada has requested withdrawal of the interim rule and is working to develop cost-effective alternatives that meet U.S. technical requirements.

Canada will also continue to work with both the United States and Mexico on a coordinated North American approach to the regulatory and trade aspects of BSE.

For more information on bilateral trade and investment issues, please consult this document's associated database at www.cimar-database.gc.ca.

Security and Prosperity Partnership

Canada participates with the United States and Mexico in the Security and Prosperity Partnership (SPP) of North America. This trilateral initiative expresses a commitment to work together to improve the security, prosperity and quality of life of all North Americans. The SPP includes a series of practical measures designed to facilitate trade and enhance regulatory cooperation. It is helping to move legitimate goods and people across North American borders faster and at a lower cost. Working together in this way will help enhance North American competitiveness globally. For further details, please visit www.spp-psp.gc.ca.

Canada will continue to impress upon its SPP partners its commitment to enhancing security within North America and abroad. U.S. defence arrangements with Canada are more extensive than those with any other country. For further information, please visit www.canadianally.com/ca.

North American Free Trade Agreement

The North American Free Trade Agreement—now in its 14th year—has contributed to significant increases in trade and investment flows between Canada and its NAFTA partners. The more significant trends and developments are summarized below.

- Merchandise trade has increased 122% since 1993, reaching \$597.2 billion in 2006.
- Merchandise exports to the United States grew at an annual compounded rate of 5.8% between 1994 and 2006.
- Bilateral trade between Mexico and Canada reached \$20.4 billion, a 349% increase from pre-NAFTA levels (1993).
- NAFTA partners account for 82.6% of our total merchandise exports.
- Trade in services with the United States reached \$82.4 billion in 2006, up from \$42.3 billion in 1993.
- Approximately 57% of Canada's services exports go to our NAFTA partners.

NAFTA has established a strong foundation for economic growth. However, the emergence of new economic players, coupled with the increasingly integrated network of global value and supply chains, has transformed the dynamics of world trade and brought new challenges to North America's continued prosperity. In this context, Canada remains committed to NAFTA as the cornerstone of North American competitiveness, and continues to pursue a NAFTA work plan that will enhance Canada's trade and investment with the United States and Mexico.