

Geographic Overview

United States

Introduction

The United States remains Canada's largest and most important market, absorbing more than 80 percent of our total merchandise exports. In 1993, Canadian merchandise exports to the U.S. increased by 20 percent to reach \$150 billion, representing the most important international factor sustaining economic growth and job creation in Canada. The growth in exports to the U.S. in 1993 (\$24.9 billion) was larger than total Canadian exports to all other OECD countries (\$22.6 billion). United States direct investment of \$95 billion in Canada accounts for the largest share (65 percent) of total foreign direct investment in Canada, which reached \$146 billion at the end of 1993. Similarly, Canadian direct investment of \$65 billion in the U.S. represented the largest share (60 percent) of the total \$107 billion Canadian direct investment abroad as of the end of 1993.

Business Environment

The U.S. market has changed considerably in recent years due to the emergence of new technologies and ongoing rationalization of the economy arising from the recession, the Canada-U.S. Free Trade Agreement (FTA), the NAFTA, the Uruguay Round and the southward movement of labour-intensive industries.

Canada's extensive trade relationship with the United States has been consolidated and strengthened with the implementation of the FTA and the NAFTA. This relationship will be further enhanced with the implementation of the WTO Agreement in January 1995. The market liberalization brought about by these agreements, combined with favourable exchange rates and ongoing recovery of the U.S. economy, provide

many new opportunities for Canadian firms, especially SMEs.

The FTA tariff reductions continuing under the NAFTA should further improve access to the U.S. market for Canadian suppliers of natural resources as well as manufactured and consumer products.

The United States will continue to be the most important market for the Canadian tourism industry. Tourists from the United States spent an estimated \$5 billion in Canada in 1993, a 9.5-percent increase over the previous year. This contributed significantly to a reduction in the Canadian travel trade deficit.

The NAFTA has continued the substantial liberalization achieved under the FTA in a number of strategic, high value-added industries, including environment, services, information technologies, medical and health care, and biotechnology. The Agreement has also improved Canadian access to U.S. federal government contracts. Canadian construction services firms can now bid on major U.S. government contracts and use Canadian building supplies while providing their services. The NAFTA will therefore expand the U.S. market for Canadian contractors, suppliers and services companies. Important opportunities exist for Canadian firms in the environmental sector, including clean-up work related to U.S. government defence and energy sites and facilities. Canadian services companies now have improved access to both public and private services markets in the United States.

The United States is Canada's primary source of foreign investment and technology. Both the FTA and the NAFTA have reinforced the already high degree of integration between the two economies.