

4. Opening Doors to North America

United States

Canada and the United States enjoy an economic partnership that is unique in today's world. We share one of the world's largest and most comprehensive trading relationships. Since the implementation of the Canada-U.S. Free Trade Agreement in 1989, two-way trade has tripled. In addition to joint oversight of the world's longest, non-militarized border, the two countries are linked by similar business practices, legal systems, language, history and culture.

The United States purchased 79% of our goods exports and contributed 65% of our goods imports last year, when two-way goods trade was worth more than \$626 billion. In 2006, goods exports to the United States fell by 1.9% to reach \$361.7 billion, largely because of weakness in auto and forestry products, while merchandise imports from the United States rose by 1.9% to \$264.8 billion. At the same time, Canada exported \$35.9 billion in services to the United States, which remains the top market for our services exports.

Canada continues to be the most important market for the United States most important market, taking 22.5% of U.S. goods exports and about 9% of U.S. services exports last year. It is the leading export market for 36 of the 50 U.S. states and ranked in the top three for another 10 states, making it a larger market for U.S. goods than the European Union.

Current Issues

While our bilateral trade and investment relationship is generally free of irritants, some challenges remain. For example, costs and uncertainties stemming from U.S. export controls in bilateral defence and aerospace trade are deterring U.S. firms from working with Canadian partners,

subcontractors and even subsidiaries, as well as impeding the ability of Canadian firms to compete for U.S. business. Security-cleared dual nationals in Canada, whether in the public or private sector, also face difficulties due to the U.S. definition and treatment of "dual nationals," especially within the International Traffic in Arms Regulations (ITAR). This, in turn, makes job-related access to controlled technologies and data difficult. Canada continues to engage the United States in efforts to resolve the ITAR impediments to the satisfaction of both governments.

Additionally, administrative procedures and reviews on the part of U.S. patent authorities, combined with the presumed validity of patents in the U.S. judicial system, create a situation conducive to abuses through extensive patent litigation in U.S. courts. Investors who rely on patents for their business operations must devote resources to litigation, which negatively affects productivity and creates a disincentive to innovation.

A key concern for Canada is the need to address issues related to the U.S. Western Hemisphere Travel Initiative (WHTI). While the government appreciates the security goals underlying the WHTI, it is concerned about the "how" and "when" of WHTI implementation, particularly at the land border. With more than \$1.9 billion in goods and services crossing our border daily, and over 160 million visits in both directions in 2006, neither country can risk uncertainty and border congestion. The Government of Canada believes that adequate preparation and infrastructure, as well as a transparent plan for WHTI implementation are necessary. Priorities would include exploring alternative identification documents, and instituting a transition period during which existing documents could continue to be used. The government has engaged the U.S. Administration on these issues