



Canada, Mexico and the United States have increased substantially since the NAFTA was implemented in 1994, with total merchandise trade across North America surpassing \$752 billion in 1998 (Sources: Statistics Canada, U.S. Department of Commerce and SECOFI). Canada's merchandise trade with its NAFTA partners has also risen sharply. Two-way merchandise trade between Canada and Mexico grew 8% in 1998 over the year before, reaching \$9 billion. Our merchandise trade with the United States was up 11% over the same period, reaching \$475 billion in 1998. Approximately \$1.5 billion in goods and services now crosses the Canada-U.S. border each day.



Enhanced access to NAFTA markets and the existence of clear rules on trade and investment have increased Canada's attractiveness to foreign and domestic investors. Total foreign direct investment (FDI) into Canada reached \$218 billion in 1998, with the majority of this investment coming from the United States. FDI into Canada from the United States increased for a fifth straight year to \$147.3 billion in 1998 (up 63% since 1993), while investment from Mexico reached \$464 million in 1998 (up some 200% over 1993). Canadian direct investment in the NAFTA countries also increased, reaching \$126 billion into the United States in 1998 (an increase of 86% over 1993) and more than \$2.2 billion into Mexico (an increase of 324% over 1993). Further details on the economic and trade performance of the Canadian economy since the NAFTA was implemented in 1994 are provided in the section of this report on "The NAFTA's Impact."



While the vast majority of trade and investment among the three NAFTA countries flows freely across borders, some disagreements are bound to arise in such a large and diverse trading relationship. The NAFTA created an impartial, rules-based system to resolve disputes between the partners. On the whole, these procedures have worked remarkably well, lending stability, predictability and clarity to the conduct of business across North America. Canada is making full use of these provisions, and took action or was a respondent in a number of cases involving NAFTA procedures in 1998. Details are provided in the "Dispute Settlement" section of this report.