### *Widening Canada's Network of Free Trade Partners*

The government will continue to widen Canada's network of free trade partners and improve market access for Canadian exporters. This objective will be pursued as follows:

- Expansion of the NAFTA: To ensure that it remains outward-looking and dynamic, the governments of Canada and Chile have pursued a bilateral free trade agreement not only to pave the way for enhanced trade and investment between the two countries, but also to facilitate Chile's eventual accession to the NAFTA.
- FTAA initiative: At the Miami Summit in December 1994, leaders of 34 countries in the hemisphere, including Canada, agreed that an FTAA should be negotiated by 2005.

  FTAA Working Groups, most of which focus on specific trade-policy topics, have been compiling information on the laws and regulations that exist in FTAA countries, with a view to identifying the issues to be addressed in the negotiations. The 11 Working Groups cover the following areas: market access; customs procedures and rules of origin; standards and technical barriers to trade; sanitary and phytosanitary measures; investment; services; intellectual property rights; subsidies, anti-dumping and countervailing duties; competition policy; government procurement; and smaller economies.

  Canada's view is that we and our FTAA partners are at the stage where we must soon define the details of the scope and timing of the FTAA negotiations, in order to pave the way for a timely launch of the negotiations. Canada is working hard to encourage early progress so that we will meet the challenge set by leaders in 1994.
- The APEC forum: In 1997, Canada will host the Asia-Pacific Economic Cooperation forum, culminating in November with a meeting of APEC ministers of foreign affairs and trade, and the APEC Economics Leaders' Meeting. Throughout the year, Canada will be responsible for advancing APEC's trade and investment liberalization and facilitation agenda, as well as for activities to promote economic and technical co-operation. APEC 1997 means jobs and growth for Canada, through support of broader efforts to increase exports to the fastest-growing region of the world. At the same time, Canada will aggressively pursue the 1994 commitment of APEC leaders to establish free trade in Asia-Pacific by 2020.
- Canada-Israel Free Trade Agreement: On July 31, 1996, the Honourable Art Eggleton, Minister for International Trade, and the Minister of Industry and Trade of the State of Israel, Natan Sharansky, signed the Canada-Israel Free Trade Agreement. The Agreement will allow duty-free access to each other's markets for industrial goods. Canadian exporters will also benefit from the reduction or elimination of tariffs on agricultural products. This agreement puts Canadian exporters on an equal footing with their U.S. and European competitors, who already enjoyed the benefits of free trade agreements with Israel. Implementation of the Agreement is scheduled for January 1, 1997.
- Building stronger ties with the European Union, while ensuring that our trade, technology and economic relations with Europe continue to be supported at the bilateral level. A proposed Canada-EU business dialogue would bring together business leaders from Europe and Canada to develop specific recommendations for improving the transatlantic trade and investment relationship.

### *Sustainable Development and International Trade*

A key objective of DFAIT's first Sustainable Development (SD) strategy will be the provision of support to international business-promotion programs. The SD strategy will focus in part on helping Canadian exporters understand and respond to new environmental imperatives. The strategy may include, for example, the training of trade commissioners with respect to SD issues, and the provision of assistance to SMEs wishing to adopt environmental management standards. Along with efforts within the WTO and other multilateral forums aimed at making trade and the environment mutually supportive, the SD strategy will help to ensure continued Canadian access to vital export markets.

### Contact

InfoCentre: 1-800-267-8376
Bulletin Board: 1-800-628-1581
FaxLink: (613) 944-4500,
from abroad (613) 944-6500
World Wide Web: http://www.dfait-maeci.gc.ca
Strategis: http://strategis.ic.gc.ca





# UNITED STATES

## Introduction

Canada's economic growth and job creation in the past three years have been driven by exports to the United States. The U.S. is not only our largest market, but is also the fastest growing, almost doubling in size from 1991 ($106 billion) to 1995 ($202 billion). This means that for each of those four years, Canadian exporters found new markets in the U.S. equivalent to our total annual exports to all other OECD countries. Total trade in goods and services between the two countries sustains more than 1.5 million jobs in Canada, and directly generates 28 percent of Canada's GDP.

The proximity of the market, its relative ease of access, similarity of language, culture and legal systems, and demand for virtually every type of product or service produced by Canadian companies, makes the United States the market of choice for first-time exporters.

The importance of the bilateral financial relationship is well illustrated by recent investment figures. Total U.S. direct investment in Canada of $113 billion in 1995 accounts for the largest share (67 percent) of total foreign direct investment, which reached $168 billion at the end of 1995. Similarly, Canadian total direct investment of $76 billion in the United States represented the largest share (54 percent) of the total $142 billion direct investment abroad at the end of 1995.

Finally, the United States continues to be the most important market for the Canadian tourism industry. In 1995, 13 million U.S. citizens travelled to Canada, an increase of 3.1 percent over 1994. This trade generated total revenues of $4.8 billion, up 9.2 percent from 1994.

## Business Environment

Spurred by the globalization of markets and the technological revolution, U.S. industries continue to rationalize and reposition themselves in order to successfully face ever-increasing competition abroad and in the domestic market. U.S. companies readily look beyond their borders for products, technologies and services, as well as for strategic alliance partners that will help them maintain their competitive edge, hence opening new opportunities for Canadian companies. While the United States continues to be a major destination for traditional manufactured products, an increasing number of Canadian suppliers of knowledge-based goods and services look to the U.S. market to ensure growth.

The steady liberalization of trade through agreements such as the Canada-U.S. Free Trade Agreement (FTA), the NAFTA, and the WTO has consolidated and strengthened Canada's already extensive trade relationship with the United States. The improved market access brought about by these agreements, combined with a continued favourable exchange rate, provide many new opportunities for Canadian firms, particularly 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. Most tariffs will be eliminated by January, 1998.

For high value-added industries such as the environment; business and professional services; information technologies; biotechnology; medical and health-care products and services; and advanced manufacturing technologies and materials, the NAFTA has furthered the substantial liberalization achieved under the FTA. In particular, access by Canadian firms to U.S. federal government contracts has improved; for example, Canadian construction firms and suppliers of Canadian building materials can now bid on major U.S. government construction contracts.

## Priority Sectors

DFAIT's United States Business Development Program has been repositioned to emphasize an integrated approach to trade, services and investment development. The program gives priority to knowledge-based and value-added activities, including generating and disseminating market information and intelligence through electronic means, promoting strategic alliances and technology