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Opening Doors to North America

UNITED STATES

It is difficult to overstate the importance of Canada's trade and investment relationship with the United States. Whether through the broad interdependence of bilateral exchanges, or Canada's role in North America, or the global opportunities that arise from Canada's U.S. gateways, the key to Canadian prosperity is through a healthy bilateral relationship with the U.S.

The U.S. is Canada's largest trading partner, purchasing 78% of our exports. Moreover, 95% of our bilateral trade and investment relationship is dispute-free. This relationship, which is fuelled by the increasing integration of our economies and facilitated by the rules-based trading system of the WTO and NAFTA, is quantitatively and qualitatively different from that with any other country.

In 2005, Canada's merchandise exports to the United States expanded 5.1%, largely because of increases in energy prices, which counterbalanced the dampening effect of a rising Canadian dollar. At the same time, merchandise imports from the U.S. increased only 2.8%. In 2005, 38 states counted Canada as their most important merchandise export destination. Canada also exported \$33.6 billion in services to the United States in 2005, which continues to be the top market for our services exports. For further analysis of trade statistics, please visit <http://www.international.gc.ca/eet/menu-en.asp>.

The Department works to further the trade and investment relationship with the U.S. It protects and enhances Canadian access to the U.S. marketplace; helps Canadians to capture an increasing share of U.S. opportunities in goods and services trade, investment, technology commercialization and research collaboration, despite growing competition from emerging markets; and pursues policy instruments (and their enforcement), thereby strengthening the North American economic space and preparing firms to meet rapidly evolving challenges. Further information is available at http://www.dfait-maeci.gc.ca/can-am/main/trade_and_investment/default-en.asp. In addition, the Department encourages Canadian firms that have succeeded in one U.S. market to expand elsewhere in the U.S., and it also encourages those successful

in more than one U.S. market to consider other international possibilities. For further information, please visit <http://www.infoexport.gc.ca/ie-en/MarketReportsAndServices.jsp>.

Current Issues

Despite the largely irritant-free nature of Canada-U.S. trade and investment, some challenges remain. For example, costs and uncertainties stemming from U.S. export controls in bilateral defence and aerospace trade are having various negative impacts: they are deterring U.S. firms from working with Canadian partners, subcontractors and even subsidiaries, as well as hampering the ability of Canadian firms to compete for U.S. business. The U.S. definition and treatment of "dual nationals," especially within the International Traffic in Arms Regulations, make job-related access to controlled technologies and data difficult for security-cleared dual nationals in Canada, whether in the public or private sector. The situation puts business partnerships and government-to-government collaborations at risk and discourages investment in Canada in the defence and aerospace sector.

In addition, the overall predictability of the business environment in the United States has been affected by an overburdened U.S. patent system. Delays in administrative procedures and reviews on the part of U.S. patent authorities, combined with the relative speed of the U.S. judicial system, create a situation conducive to abuses through extensive patent litigation in U.S. courts. As well, investors who rely on patents must devote an increasing share of their resources to litigation, which hampers competitiveness and creates a disincentive to innovation. Research in Motion is one obvious example of a Canadian company that has faced barriers south of the border as a result of U.S. intellectual property laws.