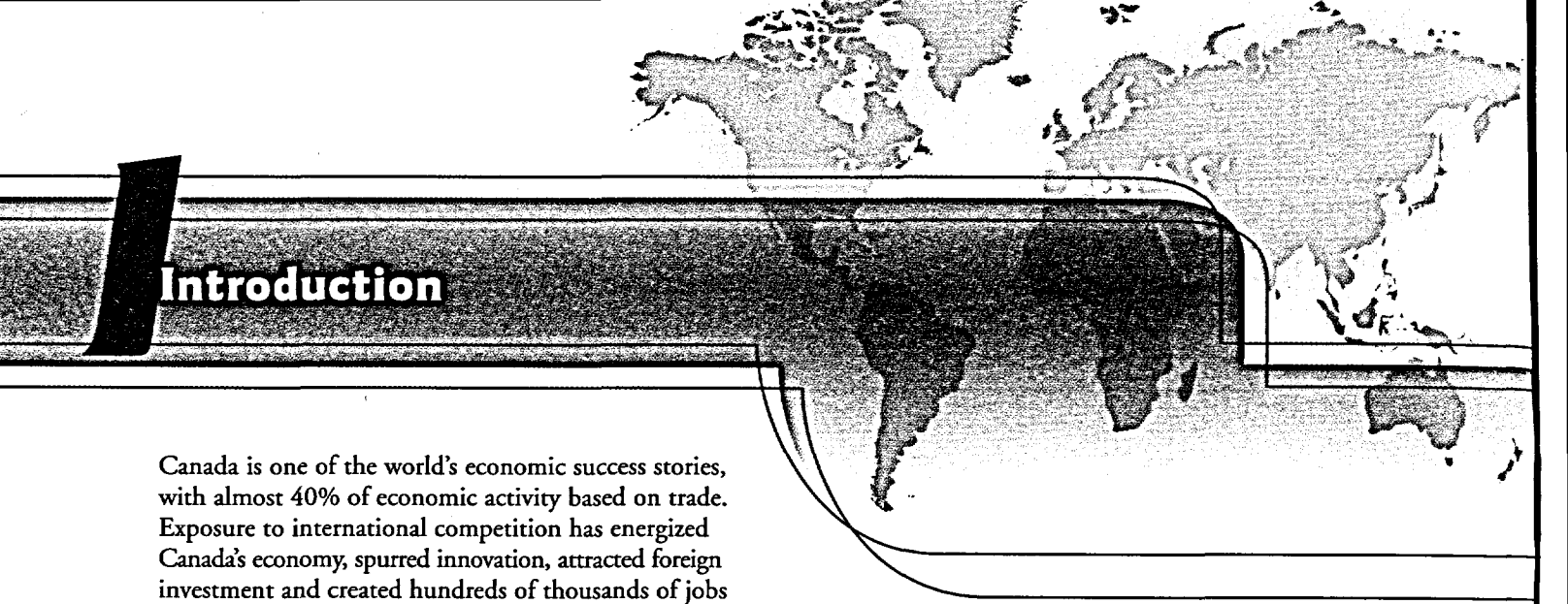




Introduction

Canada is one of the world's economic success stories, with almost 40% of economic activity based on trade. Exposure to international competition has energized Canada's economy, spurred innovation, attracted foreign investment and created hundreds of thousands of jobs for Canadians.

Global commerce is about taking advantage of new opportunities in value-added services, agriculture, natural resources and manufacturing around the world. It is about meeting growing demands for knowledge, investment, technology and customized products wherever they occur.

Although exports are healthy, our ability to fully exploit opportunities in key markets is often limited by a variety of barriers to trade. To ensure secure and predictable access to the world for Canadian traders, services providers and investors, the Government of Canada will continue its efforts to bring down barriers to trade in key markets, strengthen the institutions and rules governing international trade and investment, forge relationships with new partners and ensure that other countries live up to their commitments.

To that effect, the Government will continue to pursue its goals multilaterally (through the World Trade Organization), regionally (through the North American Free Trade Agreement and negotiations toward the Free Trade Area of the Americas), and bilaterally with key partners (through the negotiation of free trade agreements with the European Free Trade Association, the Central America Four, Korea and Singapore and through other initiatives with the European Union and Japan).

Business and Canadians in general know that international trade underpins wealth creation and prosperity on every front of the modern Canadian economy. *Opening Doors to the World: Canada's International Market Access Priorities – 2006* outlines the

Government's priorities for further improving access to foreign markets in 2006, while presenting significant market-opening results achieved over the past year.

TRENDS IN CANADIAN TRADE AND INVESTMENT

Canadian economic performance has been solid, with real gross domestic product (GDP) increasing 2.9% in 2005. This growth has been driven primarily by exports and by strong personal spending on goods and services, investment in residential and non-residential structures, and investment in machinery and equipment.

In 2005, exports of goods and services represented 37.8% of Canadian GDP. Despite the appreciation in the Canadian dollar (7%) against the U.S. dollar, exports of goods and services increased 5.2% to \$516.4 billion in 2005,¹ surpassing the previous record set in 2000. Imports also rose, climbing 5.8% to \$463.1 billion. The annual surplus on goods remained more or less stable at \$66.7 billion, as both exports and imports rose by around \$24 billion. The trade surplus with the U.S. increased to \$101.4 billion, all of which can be attributed to the surplus in goods trade. Canada's goods trade deficit with the rest of the world widened to \$43.9 billion. Developing economies outside the Organisation for Economic Co-operation and Development (OECD), most notably China, are accounting for an increasingly large share of Canada's deficit with non-U.S. partners;

¹ All dollar amounts in this document are Canadian dollars unless otherwise specified.