



United States support over 2 million Canadian jobs, and generate 28% of Canada's GDP. Fully 81% of Canadian merchandise exports are destined for the United States. Since the implementation of the Free Trade Agreement (FTA) in 1989, two-way merchandise trade has doubled. Between 1992 and 1996, two-way merchandise trade increased by an average of 14.8% per year. This contrasts with an average annual increase of 8% over the same period for Canada's trade with the rest of the world.

U.S. direct investment in Canada has increased from approximately \$85 billion in 1990 to \$125 billion in 1996. The FTA, and subsequently the NAFTA, have had other positive spin-offs. For example, the Open Skies Agreement signed in February 1995 has opened new opportunities for both Canadian and U.S. airlines.

Canada's trade and investment relationship with the United States is quantitatively and qualitatively different from that with any other country. Excellent opportunities exist for Canadian goods and services exporters in virtually every sector. To exploit these opportunities, DFAIT's activities concentrate on introducing small and medium-sized enterprises (SMEs) to the market. The New Exporters to Border States (NEBS) program has been highly successful in this regard, having helped more than 8500 companies make their first foray into the U.S. market. The Canadian government is developing a process to help Canadian exporters that have succeeded in more than one region of the United States to "graduate" to other international markets.

The Canadian government has produced a new investment development strategy to attract and expand investment from the United States and to encourage strategic alliances with U.S. companies. The strategy outlines the Government's plan to promote investment attraction through the use of a more integrated, sectorally focussed approach which builds on the co-operation between DFAIT and its Team Canada partners.

In promoting Canada's market access and business development interests in the United States, it is important to target the various regions of the country. Minister-led missions to various U.S. regions, most of them having larger markets than many countries, help to forge the necessary relationships with government and business leaders that help advance

Canadian priorities. A program of visits by several federal Deputy Ministers also serves to promote Canadian interests in this market.

While periodic issues and some long-standing irritants are inevitable in an economic relationship of such complexity and depth, one of the principal benefits that Canada has derived from the NAFTA is the mechanisms that allow for the clear management and settlement of disputes.

Market-opening Results in 1997

In 1997, market-opening results were as follows:

- Building on the 1995 *Accord on our Shared Border*, Canada and the United States pursued several initiatives to speed road, rail and sea transit, as well as in-transit preclearance at Canadian airports.
- Amendments to Canada's Foreign Extraterritorial Measures Act effectively serve to prevent the enforcement of judgments under the U.S. Helms-Burton law in Canadian courts, and allow a Canadian company to sue to recover any damages awarded against it by a foreign court.
- Canada and the United States implemented an agreement on trade in sugar and sugar-containing products (SCPs) that gives Canadian exporters of these products assured access to the U.S. market.
- A comprehensive allocation system under the five-year Canada-U.S. Softwood Lumber Agreement was successfully implemented on behalf of Canadian industry and the producing provinces. This system provides for greater predictability for Canadian exporters who are planning to ship softwood lumber to the United States.
- Canada successfully defended against U.S. pressure to reduce Canadian exports of wool suits, sport coats and pants.
- Unrestricted access to the U.S. grain market was maintained in the face of political pressure on the administration from Congressional representatives for a return to a more restrictive import regime.
- A group of 21 non-profit citizens' organizations filed a challenge on the constitutionality of Chapter Nineteen of the NAFTA and the FTA. That challenge was later dismissed for lack of standing before the court.