
FOREWORD

Canada and the United States are each other's principal trading partner, and have the largest two-way trading relationship in the world. In 1995, the value of goods, services and investment income flowing between Canada and the United States totalled C\$454.1 billion. The bilateral relationship has been considerably enhanced through a series of trade agreements which have led to a reduction of barriers to trade and investment. Since the implementation of the Canada-United States Free Trade Agreement (FTA) on January 1, 1989, two-way trade of goods, services and investment income has grown by 83%.

On January 1, 1994, the North American Free Trade Agreement (NAFTA) was implemented and, together with the World Trade Organisation (WTO), now governs the trading relationship between Canada, the United States and Mexico. The NAFTA improves the FTA in many areas and further reduces trade barriers that affect Canadian exports to the United States. The expansion of trade with the United States has continued strongly under NAFTA. After a growth of 22% in 1994, two-way merchandise trade expanded by a further 12.5% in 1995 to C\$370.7 billion. Under the NAFTA more than 30 trilateral Committees and Working Groups have been established. They are making further progress in areas such as technical standards, rules of origin, cross-border movement of persons and government procurement.

In addition to the NAFTA, Canada and the United States are partners in the World Trade Organization (WTO), which came into effect on January 1, 1995 and which has replaced the General Agreement on Tariffs and Trade (GATT) as the comprehensive, global rules-based trade organization. The WTO has assumed the full responsibility for implementing all of the Uruguay Round obligations for goods and services and has brought strengthened and improved rules and disciplines to many areas of international trade. The improved WTO dispute settlement provisions, together with the NAFTA, provide Canada with additional means to address bilateral trade barriers. The WTO work programme is aimed at building on the Uruguay Round results and achieving further trade liberalization, for instance through the current negotiations in bringing basic telecommunications within the framework of the General Agreement on Trade in Services. The WTO also provides for Ministerial Conferences at least every two years, the first of which will be held in Singapore in December 1996, to review the operations of the organization and provide guidance in terms of emerging issues in international trade.

Over the past year, Canada protected and improved access for Canadian exporters to the U.S. market through numerous consultations, negotiations and dispute settlement procedures. The following illustrates the range of issues dealt with:

- U.S. restrictions on imports of Canadian wheat were terminated in September 1995, thus restoring open Canadian access to the U.S. wheat market.
- Canada and United States are pursuing an agreement related to trade in softwood lumber with a view to avoiding litigation in this sector. Over the past fifteen years, Canadian softwood lumber exports have been subject to three separate U.S. countervailing duty investigations causing major uncertainty and disruption to the trade.
- Business travel between Canada and the United States has been greatly facilitated by the new Canada - United States Air Agreement. Since the agreement was signed in February 1995, 93 new scheduled transborder routes have been introduced, with a 28% increase in transborder seating capacity.