

between Canada and Mexico has grown by 80%, reaching \$8.2 billion in 1997. Our merchandise trade with the United States is up 63% over the same period, reaching \$456 billion in 1997. Approximately \$1.4 billion in goods and services now crosses the Canada-U.S. border each day.

Under the NAFTA, Canadian producers are better able to realize their full potential by operating in a larger, more integrated and efficient North American economy. Consumers benefit from this heightened competition, with better products, services and prices.

Enhanced access to NAFTA markets, and the existence of clear rules on trade and investment have enhanced Canada's attractiveness to foreign and domestic investors. Total FDI into Canada reached \$180 billion in 1996, with the majority of this investment coming from the United States. FDI into Canada from the United States reached \$125 billion in 1996 (up 37% over U.S. FDI into Canada in 1993 — the last year prior to the implementation of the NAFTA), while investment from Mexico reached \$239 million in 1996 (up 55% over 1993). Canadian direct investment in the NAFTA countries has also increased, reaching \$92.9 billion into the United States in 1996 (up 37% over 1993) and \$1.3 billion into Mexico (more than double the 1993 level).

The vast majority of our trade with the United States and Mexico now takes place within the context of the clear and well-established rules of the NAFTA. Nonetheless, disputes are bound to emerge in such a large trading area. In such cases, the NAFTA provides a vehicle for the governments concerned to resolve their differences through NAFTA committees and working groups, or through other consultations. If no mutually acceptable solution can be found, the NAFTA provides for expeditious and effective dispute settlement procedures. Where WTO rights and obligations are at issue, NAFTA parties also maintain the option of recourse to WTO dispute settlement procedures as an alternative to the NAFTA procedures.

Chapter Nineteen of the NAFTA provides a unique system of binational panel review in place of final judicial review for domestic decisions regarding anti-dumping and countervailing duty matters. A constitutional challenge in the United States of the Chapter Nineteen dispute settlement provisions was dismissed for lack of standing in November 1997.

Chapter Twenty includes provisions relating to the avoidance or settlement of disputes regarding the interpretation or application of the NAFTA, except for matters covered under Chapter Nineteen. There are also special rules for matters under Chapters Eleven (Investment) and Fourteen (Financial Services).

Several disputes were either settled, or remained pending in 1997. These include two disputes between Canada and Mexico regarding anti-dumping determinations by the Mexican Ministry of Trade and Industrial Development (SECOFI), which were appealed by Canadian steel producers under Chapter Nineteen. Panel decisions on these cases were made in 1997, resulting in the termination of anti-dumping duties in the first case, and a recommendation for SECOFI to reconsider a number of issues in the second case. Canada also awaits panel decisions on two anti-dumping findings on Canadian steel exports to the United States. Further, two Chapter Nineteen panels are reviewing Canadian anti-dumping determinations that are due in 1998, one of which regards steel exports from Mexico and the second, concrete panel exports from the United States.

The first NAFTA investor-state dispute involving Canada was launched in 1997. This case is between the Government of Canada and Ethyl Corporation (USA), and relates to Canadian legislation regulating the importation and interprovincial trade of the fuel additive MMT. An international arbitral panel has been established and has commenced hearings.

UNITED STATES

	Goods (1997)	Services (1997)
Exports	\$244.1 billion	\$24.2 billion
Imports	\$212.2 billion	\$30.2 billion

Rank: 1 (81% of total Canadian goods exports)

Overview

Canada and the United States are each other's largest trading partners, moving approximately \$1.4 billion worth of goods and services across the border each day. In 1997, Canada exported \$244.1 billion in goods to the United States and imported \$212.2 billion in goods from that country. Canada exported \$24.2 billion in services and imported \$30.2 billion in 1997. Canada's merchandise exports alone to the