

According to the Government: An Overview of Canada-U.S. Relations and Trade

[From Government of Canada and United States Government websites as cited - 10/05/2010]

A Unique and Vital Relationship

According to the Department of Foreign Affairs and International Trade, Canada

<http://www.canadainternational.gc.ca/can-am/offices-bureaux/welcome-bienvenue.aspx?lang=eng>

The links between our countries are deep, diverse and complex. We share:

- A long tradition of cooperation in defending our continent and fighting for freedom.
- The world's largest trading relationship.
- A common border that stretches across 8,893 kilometers (5,526 miles) of land and three oceans.
- Stewardship of a rich and diverse environment, including 20 percent of the world's supply of fresh water in the Great Lakes.

Partners for Security

In the broadest political, economic and military sense, Canada's security is entwined with that of the United States. In response to the September 11 attacks, Canada joined forces with the U.S. in the struggle against terrorism.

Fighting terrorism is the top priority for Canada and the U.S. Currently, approximately 2,500 Canadian Forces personnel are deployed in Afghanistan as part of NATO's International Security Assistance Force.

More than 7,000 Canadian Forces personnel have taken part in missions in Southwest Asia to fight Taliban and Al-Qaeda fighters since the terrorist attacks of September 11.



This continues a long tradition of fighting together to defend common values and ideals. Canadians and Americans have fought side-by-side in two World Wars, in Korea, in the Persian Gulf and in Kosovo.

Canada and the United States are partners in defending North America through the North American Aerospace Defence Command (NORAD). Since the Second World War, we have shared our resources and expertise to create an integrated defence industrial base to sustain our armed forces.

Our two countries were founding members of the North Atlantic Treaty Organization (NATO) and the United Nations (UN), and cooperate in other multilateral institutions such as the Organization of American States (OAS).

Partners in Economic Growth

Canada and the United States are each other's most important trading partners. Our growing economic interdependence benefits both countries in an era of global change.

In 2008, the annual two-way trade in goods and services between Canada and the U.S. was worth over C\$742 billion. It is a vital component of our economic security.

Under NAFTA, Canada and the United States have increased their already substantial trade by an average annual growth rate of almost 6%. Canada remains the United States' largest trading partner, with approximately 20.1% of U.S. exports being sold to Canada.

Canada is the leading market for goods for 35 U.S. states and the second leading market for a further 10. The U.S. exports more goods and services to Canada than to any individual country – more than to Japan and Mexico combined.

The Canada-U.S. relationship also includes one of the world's largest bilateral investment relationships. The United States is Canada's largest foreign investor and the most popular destination for Canadian investment.

Partners for Energy Security



Canada is the United States' largest supplier of crude oil and refined products, natural gas, electricity and uranium. More importantly, for the United States, a country that views energy security in terms of access to supplies, Canada remains a consistent and secure supplier.

In 2006, Canada's energy exports to the U.S. were valued at around \$75 billion U.S.

Canada and the U.S. supply almost 100 percent of each other's electricity imports. Canada supplies 86 percent of U.S. natural gas imports and 17 percent of U.S. imports of crude and refined oil products - more than any foreign supplier at over 2.4 million barrels a day.

Canada and the United States have a strong and growing energy relationship and we will continue to work together toward our common objectives of energy security and economic prosperity.

Partners for a Smart Border

With about \$1.7 billion in goods and services crossing the Canada-United States border each day, secure and efficient border crossings are the life line of our mutual economic growth and prosperity.

Canada's investments in secure and efficient border management in cooperation with the U.S. demonstrate our common values and interests.



More trade flows between Windsor, Ontario and Detroit, Michigan than through any other border crossing in the world. Trucks carry approximately 80 percent of Canada's trade with the U.S. - one truck crosses the Canada-U.S. border almost every 2 seconds.

Canada and the United States are actively engaged in implementing the 32-point Smart Border Action Plan. Since the signing of the Smart Border Declaration and Action Plan in December 2001, significant progress has been made to enhance the security and efficiency of our shared border.

Several Smart Border initiatives are underway, including:

- the expansion of NEXUS (dedicated "fast lanes" for pre-approved and low-risk travelers) and FAST (expedited clearance processes for pre-authorized shipments) programs;
- the establishment of joint teams of customs officials in the ports of Vancouver, Montreal, Halifax, Seattle-Tacoma and Newark to target marine containers arriving from abroad that are destined for the other country; and
- the expansion of Integrated Border Enforcement Teams (IBETs) from coast to coast along the Canada-U.S. border.

Most recently, the 2008 federal budget allocated \$174 million over the next two years to ensure Canada has the best equipment, infrastructure, regulations, and cooperative frameworks in place to maximize the security and efficiency of the Canada-U.S. border.

To respond to future needs, Canada has created \$600 million Border Infrastructure Fund to modernize and improve the infrastructure at the major border crossings.

Partners on Environmental Issues

The joint stewardship of the environment is a cornerstone of Canada-U.S. relations and will increase in importance as both countries take up the environmental challenges of the 21st century. Beginning with the Boundary Waters Treaty of 1909, which established the International Joint Commission, we have developed a network of cooperative arrangements, including:

- the Migratory Birds Convention (1916) to protect migratory waterfowl;
- the Great Lakes Water Quality Agreement (1972) to protect the ecological integrity of the Great Lakes;
- the Agreement on Conservation of the Porcupine Caribou Herd (1987) to jointly manage and protect the habitat of the trans-boundary herd;
- the Air Quality Agreement (1991) and Ozone Annex (2000) to improve air quality by reducing pollution from acid rain and ozone; and
- the Binational Toxics Strategy (1997) to eliminate the release of certain toxic substances into the Great Lakes
- the recent climate change plan, Turning the Corner, (March 2008) is a regulatory framework to cut greenhouse gas emissions.

Building on this solid foundation, our two countries are well positioned to provide a safe, clean and healthy place to live for future generations of Americans and Canadians.

A Rules-Based Partnership

Approximately 300 treaties and agreements govern our relationship and provide a solid legal basis for our cooperation on a wide range of issues. We are continually engaged in strengthening and deepening the rules-based collaboration that brings both countries unequalled prosperity and security.

Trade and Investment

According to the US Department of State: Diplomacy in Action Background Note: Canada

<http://www.state.gov/r/pa/ei/bgn/2089.htm#relations>

The United States and Canada share the world's largest and most comprehensive trading relationship, which supports millions of jobs in each country. Canada is the leading export market for 35 of the 50 U.S. states and is a larger market for U.S. goods than all 27 countries of the European Union. The United States-Canada Free Trade Agreement (FTA), which went into effect in 1989, was superseded by the North American Free Trade Agreement among the United States, Canada, and Mexico (NAFTA) in 1994. NAFTA, which embraces more than 450 million people of the three North American countries, expanded upon FTA commitments to move toward reducing trade barriers and establishing agreed upon trade rules. It has also resolved long-standing bilateral irritants and liberalized rules in several areas, including agriculture, services, energy, financial services, investment, and government procurement. Since the implementation of NAFTA in 1994, total two-way merchandise trade between the United States and Canada has grown by more than 265%.

U.S. immigration and customs inspectors provide preclearance services at eight airports in Canada, allowing air travelers direct connections in the United States. During the 12 months ending in June 2007, nearly 21.9 million passengers flew between the United States and Canada on scheduled flights.

Canada is the single largest foreign supplier of energy to the United States--providing 20% of U.S. oil imports and 18% of U.S. natural gas imports. Recognition of the commercial viability of Canada's oil sands in Alberta has raised Canada's proven petroleum reserves to 170 billion barrels, making it the world's second-largest holder of reserves

after Saudi Arabia. Canada and the United States operate an integrated electricity grid which meets jointly developed reliability standards and provide all of each other's electricity imports. Canada is a major supplier of electricity (mostly clean and renewable hydroelectric power) to New England, New York, the Upper Midwest, the Pacific Northwest, and California. Canadian uranium helps fuel U.S. nuclear power plants.

Bilateral trade disputes are managed through bilateral consultative forums or referral to World Trade Organization (WTO) or NAFTA dispute resolution procedures. For example, in response to WTO challenges by the United States, the two governments negotiated an agreement on magazines providing increased access for the U.S. publishing industry to the Canadian market, and Canada amended its patent laws to extend patent protection to 20 years. Canada has challenged U.S. trade remedy law in NAFTA and WTO dispute settlement mechanisms. The two countries negotiated the application to Canadian goods of "Buy America" provisions for state and local procurement under the American Recovery and Reinvestment Act. The United States has encouraged Canada to strengthen its intellectual property laws and enforcement. The United States and Canada also have resolved several major issues involving fisheries. By common agreement, the two countries submitted a Gulf of Maine boundary dispute to the International Court of Justice in 1981; both accepted the Court's October 12, 1984 ruling that delineated much of the boundary between the two countries' Exclusive Economic Zones.

The United States and Canada signed a Pacific Salmon Agreement in June 1999 that settled differences over implementation of the 1985 Pacific Salmon Treaty. In 2001, the two countries reached agreement on Yukon River salmon, implementing a new abundance-based resource management regime and effectively realizing coordinated management over all West Coast salmon fisheries. The United States and Canada reached agreement on sharing another trans-boundary marine resource, Pacific hake. The two countries also have a treaty on the joint management of albacore tuna in the Pacific, and closely cooperate on a range of bilateral fisheries issues and international high seas governance initiatives.

Canada and the United States have one of the world's largest investment relationships. The United States is Canada's largest foreign investor. Statistics Canada reports that at the end of 2007, the stock of U.S. foreign direct investment in Canada was \$289 billion, or about 59% of total foreign direct investment in Canada. U.S. investment is primarily in Canada's mining and smelting industries, petroleum, chemicals, the manufacture of machinery and transportation equipment, and finance.

Canada is the fifth-largest foreign investor in the United States. At the end of 2006, the U.S. Commerce Department estimated that Canadian investment in the United States was \$159 billion at historical cost basis. Canadian investment in the United States is concentrated in finance and insurance, manufacturing, banking, information and retail trade, and other services.

U.S.-Canada Trade Facts

According to the Office of the United States Trade Representative – Executive Office of the President

<http://www.ustr.gov/countries-regions/americas/canada>

U.S. goods and services trade with Canada totaled nearly \$671 billion in 2008 (latest data available). Exports totaled \$307 billion; Imports totaled \$364 billion. The U.S. goods and services trade deficit with Canada was \$57 billion in 2008.

Canada is currently our largest goods trading partner with \$430 billion in total (two ways) goods trade during 2009. Goods exports totaled \$205 billion; Goods imports totaled \$225 billion. The U.S. goods trade deficit with Canada was \$20 billion in 2009.

Trade in services with Canada (exports and imports) totaled \$70 billion in 2008. Services exports were \$45.8 billion; Services imports were \$24.4 billion. The U.S. services trade surplus with Canada was \$21.4 billion in 2008.

Exports

Canada was the United States' largest goods export market in 2009.

U.S. goods exports to Canada in 2009 were \$204.7 billion, down 21.6% (\$56.4 billion) from 2008, but up 78.9% from 1994 (the year prior to Uruguay Round). U.S. exports to Canada are up 104% from 1993 (Pre NAFTA). U.S. exports to Canada account for 19.4% of overall U.S. exports in 2009, down from 22% in 1994.

The top export categories (2-digit HS) in 2009 were: Machinery (\$31.4 billion), Vehicles (\$31.2 billion), Electrical Machinery (\$20.4 billion), and Mineral Fuel and Oil (oil and natural gas) (\$9.7 billion), and Plastic (\$9.1 billion). U.S. exports of agricultural products to Canada totaled \$16.2 billion in 2009, our largest U.S. Ag export market.

Leading categories include: fresh vegetables (\$1.5 billion), fresh fruit (\$1.4 billion), snack foods (excluding nuts) (\$1.4 billion), and red meats, fresh/chilled/frozen (\$970 billion), processed fruit and vegetables (\$913 million).

U.S. exports of private commercial services* (i.e., excluding military and government) to Canada were \$46 billion in 2008 (latest data available), up 7.0% (\$3 billion) more than 2007 and 168% greater than 1994 levels. The other private services (business, professional, and technical services, financial services, and insurance services) and travel categories accounted for most of the U.S. exports in 2008.

Imports

Canada was the United States' 2nd supplier of goods imports in 2009.

U.S. goods imports from Canada totaled \$224.9 billion in 2009, a 33.8% decrease (\$114.6 billion) from 2008, but up 75% over the last 15 years. U.S. imports from Canada are up 102% from 1993 (Pre NAFTA). U.S. imports from Canada account for 16% of overall U.S. imports in 2008, down from 19% in 1994.

The five largest import categories in 2009 were: Mineral Fuel and Oil (crude and natural gas) (\$63.8 billion), Vehicles (cars) (\$31.6 billion), Machinery (\$15.7 billion), Plastic Electrical Machinery (\$8.1 billion), and paper, paperboard (\$7.7 billion).

U.S. imports of agricultural products from Canada totaled \$14.7 billion in 2009, our largest supplier of Ag imports. Leading categories: snack foods (including chocolate) (\$2.3 billion) red meats, fresh/chilled/frozen (\$1.4 billion) live animals (\$1.3 billion, and processed fruit and vegetables (\$1.1 billion).

U.S. imports of private commercial services* (i.e., excluding military and government) were \$24.4 billion in 2008 (latest data available), down 0.8% (\$208 million) from 2007, but up 147% from 1994 level. The other private services (business, professional and technical services) travel, and other transportation categories accounted for most of U.S. services imports from Canada.

Trade Balance

The U.S. goods trade deficit with Canada was \$20.2 billion in 2009, a 74.2% decrease (\$58.2 billion) over 2008. The U.S. goods trade deficit with Canada accounted for 4% of the overall U.S. goods trade deficit in 2009 [as in 1994].

The United States has a services trade surplus of \$21.4 billion with Canada in 2008 (latest data available).

Investment

U.S. foreign direct investment (FDI) in Canada (stock) was \$227.3 billion in 2008 (latest data available), a 2.9% decrease from 2007.

U.S. direct investment in Canada is led by the manufacturing, finance/ insurance and nonbank holding companies sectors.

Canada FDI in the United States (stock) was \$221.9 billion in 2008 (latest data available), up 6.7% from 2007.

Canada direct investment in the U.S. is led by the finance/insurance, manufacturing, and banking sectors. Sales of services in Canada by majority U.S.-owned affiliates were \$100.5 billion in 2007 (latest data available), while sales of services in the United States by majority Canada-owned firms were \$65.4 billion.

*NOTE: Refers to private services trade not including U.S. Military sales, direct defense expenditures, and other miscellaneous U.S. Government services.

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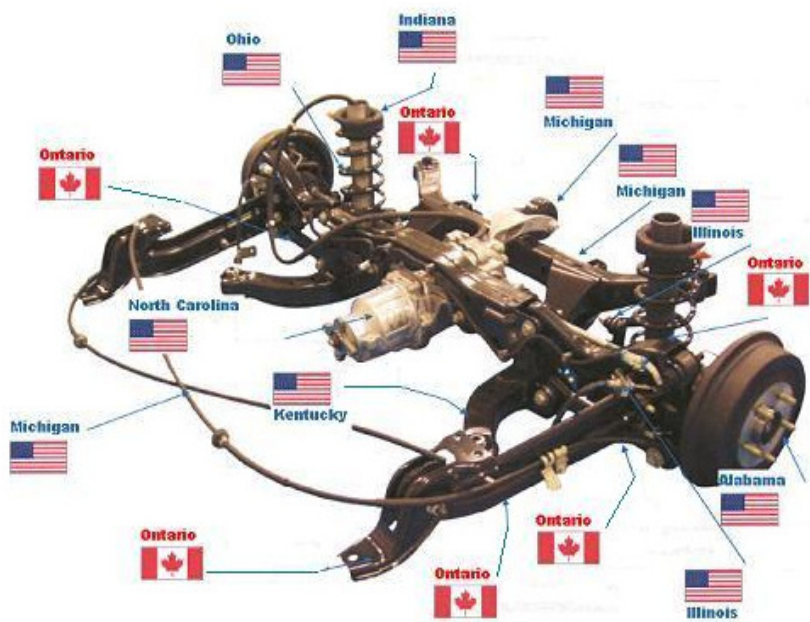
http://www.canadainternational.gc.ca/washington/commerce_can/index.aspx?lang=eng&menu_id=45&menu=L

The Canada-U.S. trade and investment partnership

Canada and the United States enjoy an economic partnership unique in the contemporary world. We don't just share a border or a history, we also share the greatest bilateral trading relationship in the world:

- In 2009 our bilateral trade was close to \$593 billion, with more than \$1.6 billion worth of goods and services crossing the Canada-U.S. border every single day.
- Free trade has been good for our countries. Canada – U.S. Bilateral trade is more than two and a half times greater than prior to signing the Free Trade Agreement.

Even more impressive, a 2009 study found that trade with Canada supports over 8 million jobs in the United States.



Canada-U.S. trade is highly integrated, with products crossing the border up to eight times before being finished (Industry Canada).

Find out how much trade each state does with Canada using State Trade Fact Sheets.

[http://www.canadainternational.gc.ca/can-am/commerce_can/2010/index.aspx?lang=eng]

The strength of the Canadian economy has been demonstrated as we move into economic recovery:

- Thanks to good planning, Canada will soon boast the lowest corporate tax rates on job-creating business in the G-7.
- Canada's national debt and annual deficit are the smallest in the G-7... by a lot. Next year, our deficit will be only 2.8% of GDP. Our strong fiscal position means that we can keep taxes down.

Don't take it from us alone. The Economist Intelligence Unit says Canada will be the best place to do business over the next five years. [See <http://www.economist.com/countries/Canada>.]