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Foreign Labor Trends Report: Canada 2007

Abstract

An overview of recent trends in Canada's labor market, government, economy and trade.

Keywords

Canada, labor trends, Department of Labor, social indicators

Comments

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**KEY LABOR INDICATORS
Canada 2007**

<u>INDICATOR</u>	<u>2005</u>	<u>2006</u>	<u>% CHANGE</u>
1. Per capita GDP, current prices (est., US\$) ¹	33,900	35,600	5.0
2. —, in agriculture (%)	2.2	2.3	4.5
3. —, in industry (%)	29.4	29.2	-0.7
4. —, in services (%)	68.4	68.5	.01
5. —, (millions, C\$) ²	41,080	40,349	-0.2
	<u>2006</u>	<u>2007</u>	
6. Population, total (est. millions)	33.1	33.4	0.9
7. —, British Isles origin	28	28	0.0
8. —, French origin	23	23	0.0
9. —, Other European	15	15	0.0
10. —, Amerindian	2	2	0.0
11. —, Asian/Arab/African	6	6	0.0
12. —, Mixed Background	26	26	0.0
13. Birth rate (per thousand population)	10.78	10.75	-0.3
14. Life expectancy at birth, total	80.22	80.34	0.1
15. —, male	76.86	76.98	0.2
16. —, female	83.74	83.86	0.1
17. Adult literacy rate (est. %)	99	99	0.0
	<u>2005</u>	<u>2006</u>	
18. Labor force, civilian, total (millions)	17.34	17.59	1.4
19. —, in agriculture (%)	n/a	2	~
20. —, in manufacturing (%)	n/a	14	~
21. —, in construction (%)	n/a	5	~
22. —, in services (%)	n/a	75	~
23. —, other (%)	n/a	4	~
24. Unemployment rate (official rate, %)	6.8	6.4	-5.9
	<u>2006</u>	<u>2007</u>	
25. Minimum wage rate (C\$ per hour) ³	n/a	7.00	~
26. —, (US\$) ⁴	n/a	7.51	~
	<u>2004</u>	<u>2005</u>	
27. Hourly Comp. costs for prod. Wrkrs in mfr. (US\$) ⁵	21.77	23.82	9.4
28. —, (C\$)	28.34	28.87	1.9

¹ Sources for Indicators 1-27, and 30 & 31 are *The World Factbook*, 2006 & 2007 and; *BLS International Statistics* source for Indicators 28 & 29.

² Rate of exchange is reason for discrepancy in % change from indicators 1 and 5. Exchange rate: US\$ 1 = 1.1334 Canadian Dollars (C\$) (2006) 1.2118 C\$ (2005)

³ Since December 18, 1996, the minimum wage rate applicable to workers under federal jurisdiction is the general adult minimum rate in the province or territory where the work is performed. The figure shown is the lowest minimum wage in Canada, and is given to workers in Alberta, New Brunswick, Newfoundland and Labrador. For more information, go to <http://srv116.services.gc.ca/wid-dimt/mwa/menu.aspx>

⁴ Figure generated from June 2007 exchange rate of 1 \$US = 1.0734 \$C

⁵ Rate of exchange is reason for discrepancy in % change from indicators 26 and 28. Exchange rate: US\$ 1 = 1.2118 Canadian Dollars (C\$) (2005) 1.301 C\$ (2004)

Canada 2007

	<u>2006</u>	<u>2007</u>	
29. Unionization of workforce (%) ⁶	30.7	30.8	0.3
30. Percent of population beneath poverty level ⁷	n/a	15.9	~
31. Consumer Prices (inflation rate est. %)	2	n/a	~

⁶ Data from the Canadian Ministry of Labor,
www.hrsdc.gc.ca/en/lp/wid/union_membership.shtml

⁷ Note - this figure is the Low Income Cut-Off (LICO), a calculation that results in higher figures than found in many comparable economies; Canada does not have an official poverty line (2003)

SUMMARY OF MAJOR DEVELOPMENTS

BACKGROUND

A land of vast distances and rich natural resources, Canada became a self-governing dominion in 1867 while retaining ties to the British crown. Economically and technologically the nation has developed in parallel with the United States, its neighbor to the south across an unfortified border. Canada faces the political challenges of meeting public demands for quality improvements in health care and education services, as well as responding to separatist concerns in predominantly francophone Quebec. Canada also aims to develop its diverse energy resources while maintaining its commitment to the environment.

DESCRIPTION OF THE LABOR SCENE

As an affluent, high-tech industrial society in the trillion-dollar class, Canada resembles the U.S. in its market-oriented economic system, pattern of production, and affluent living standards. Since World War II, the impressive growth of the manufacturing, mining, and service sectors has transformed the nation from a largely rural economy into one primarily industrial and urban. The 1989 United States-Canada Free Trade Agreement (FTA) and the 1994 North American Free Trade Agreement (NAFTA) (which includes Mexico) touched off a dramatic increase in trade and economic integration with the United States. Given its great natural resources, skilled labor force, and modern infrastructure, Canada enjoys solid economic prospects.

Top-notch economic management has produced consecutive federal budget surpluses since 1997. Public debate continues over how to manage the rising cost of the publicly funded healthcare system, and over how best to distribute fiscal capacity between the federal and provincial levels of government. Exports account for roughly a third of GDP. Canada enjoys a substantial trade surplus with its principal trading partner, the United States, which absorbs about 79% of Canadian exports. Canada is the United States' largest foreign supplier of energy, including oil, gas, uranium, and electric power. Canada and the U.S. are each other's largest agricultural market.

Government

Canada is a constitutional monarchy with a federal system, a parliamentary government, and strong democratic traditions. The 1982 Charter of Rights and Freedoms guarantees basic rights in many areas. Queen Elizabeth II, as Queen of Canada, serves as a symbol of the nation's unity. She appoints a governor general, who serves as her representative in Canada, on the advice of the prime minister of Canada, usually for a 5-year term. The prime minister is the leader of the political party in power and is the head of the cabinet. The cabinet remains in office as long as it retains majority support in the House of Commons on major issues.

Canada's parliament consists of an elected House of Commons and an appointed Senate. Legislative power rests with the 308-member Commons, which is elected for a period not to exceed 5 years. The prime minister may ask the governor general to dissolve parliament and call new elections at any time during that period. Vacancies in the 105-member Senate, whose members serve until the age of 75, are filled by the governor general on the advice of the prime minister. Recent constitutional initiatives have sought unsuccessfully to strengthen the Senate by making it elective and assigning it a greater regional representational role. Also under discussion is an initiative to place term limits upon Senators.

Criminal law, based largely on British law, is uniform throughout the nation and is under federal jurisdiction. Civil law is also based on the common law of England, except in Quebec, which has retained its own civil code patterned after that of France. Justice is administered by federal, provincial, and municipal courts.

Each of the 10 provinces is governed by a premier and a single, elected legislative chamber. A lieutenant-governor appointed by the governor general represents the Crown in each province.

Political Condition

On February 6, 2006, Stephen Harper was sworn in as Canada's twenty-second Prime Minister, succeeding Liberal Party leader Paul Martin. The January 23, 2006 election victory by the Conservative Party ended 12 years of Liberal Party rule that, in the end, was tainted by corruption and ethics concerns, despite the economic progress Canada achieved while the Liberals were in power.

Prime Minister Harper's Conservatives began the 39th Parliament in the spring of 2006 with several objectives that were featured during the election campaign: accountability and ethics in government; cutting the federal value-added sales tax; measures to fight crime and urban violence; reducing wait times for medical procedures in Canada's national health system; and providing a tax credit to parents for young children's day care. Recently, Parliament has also focused on the environment, Canada's Afghanistan military mission, and budgetary concerns.

In Canada's political system, a key challenge for any federal government is balancing the conflicting interests of Canada's 10 provinces and 3 territories.

Unions

Information obtained during the most recent survey indicated that as of January 1, 2006, 4,441,000 workers were union members. This represents an increase of 60,000 members compared to the 4,381,000 members accounted for on January 1, 2005. During 2006, the number of non-agricultural paid workers reached 14,434,000; an increase of 165,000 over 2005.

Consequently, the unionization rate or union density (union membership as a percentage of non-agricultural paid employment) was 30.8% as of January 1, 2006.

The affiliated membership of the Canadian Labor Congress increased by 41,040 from 3,156,560 on January 1, 2005 to 3,197,600 on January 1, 2006, however, its share of total union membership slightly decreased from 72.1% in 2005 to 72.0% in 2006.

Information as of January 1, 2006, indicates that the percentage of membership from unaffiliated national unions increased slightly from last year (11.4%) to this year (12.0%). This represents an increase of 34,430 members.

LABOR LAW AND SYSTEM

Jurisdiction of the Federal Government

Under the Canadian constitution, labor legislation is primarily a provincial responsibility. The federal government, however, administers labor affairs in the following sectors:

1. certain works and industries such as railways, bus operations, trucking, pipelines, ferries, tunnels, bridges, canals as well as shipping and related services (e.g. longshoring) that have an extra-provincial or international character;
2. air transport, aircraft and airports;
3. telecommunications, such as radio and television broadcasting as well as telephone and cable systems;
4. banks;
5. works that have been declared by Parliament to be for the general advantage of Canada or of two or more provinces, such as grain elevators and uranium mining and processing; and
6. Federal Crown corporations and agencies.

With respect to the Yukon, Northwest Territories and Nunavut, the Parliament of Canada has enacted legislation granting them the power to legislate on labor matters not coming under federal jurisdiction. As a result, the territorial governments have virtually the same legislative powers with regard to labor laws as the provinces, and they have used these powers, notably in the field of occupational health and safety.

LABOR STANDARDS AND WORKER RIGHTS

The Right to Organize and Bargain Collectively

Through collective bargaining, employers and unions work out the terms and conditions of employment for workers, which are then finalized as a signed contract or collective agreement. The Government, through the Federal Mediation and Conciliation Service, provides neutral third-party assistance to federally regulated employers and unions to help resolve and prevent labor-management disputes.

Federal Mediation and Conciliation Service

The Federal Mediation and Conciliation Service (FMCS) is responsible for providing dispute resolution and dispute prevention assistance to trade unions and employers under the jurisdiction of the Canada Labor Code. The FMCS provides conciliation and mediation assistance to parties engaged in collective bargaining and offers an extensive range of preventive mediation and grievance mediation services aimed at resolving differences and improving industrial relations during the closed period of a collective agreement. It also manages the Labor-Management Partnerships Program, which provides seed funding for innovative projects designed to improve labor-management relationships. By providing unions and employers with these services, the FMCS helps to foster harmonious labor-management relations throughout Canada.

The Service also administers the Ministerial appointment of arbitrators, unjust dismissal adjudicators and wage recovery referees under the Canada Labor Code, and conducts research to aid in the development and implementation of industrial relations policy. The Head of the FMCS reports to the Minister of Labor in matters related to the resolution of industrial relations disputes in the federal jurisdiction and advises the Minister on a wide range of industrial relations matters.

The FMCS derives its authority from the Canada Labor Code (Part I). This legislation governs industrial relations in federally-regulated industries, including international and interprovincial rail, road and air transportation; shipping and longshoring operations; grain handling; uranium mining; banking; broadcasting; telecommunications; and certain Crown corporations.

The use of government-appointed third-party neutrals to resolve labor relations disputes in Canada has a lengthy history, dating back to the Conciliation Act of 1900. Over the years, the FMCS and its predecessors have provided the parties involved in collective bargaining with professional expertise crucial to the resolution of their differences. Through its conciliation and mediation assistance, the FMCS has achieved an enviable record for resolving labor disputes without work stoppage.

Status of Child Labor Practices and Minimum Age for Employment

The Government demonstrated its commitment to children's rights and welfare through well-funded systems of public education and medical care. Education is free through grade 12 and is compulsory nationwide through age 15 or 16, depending on the province. The UN Children's Fund reported that 100 percent of elementary-age children attended school; high school was the highest level completed by most children. Federal and provincial regulations protect children from abuse, overwork, and discrimination and penalize perpetrators of such offenses.

According to the 2004 General Social Survey, children and youth under the age of 18 represent 21 percent of the population.

Children were trafficked for purposes of sexual exploitation.

Minimum Wage

Every province and territory in Canada now provides for a minimum wage in its employment standards legislation. As for the federal jurisdiction, it has entrenched the applicable provincially legislated general adult minimum wage rate for workers covered by Part III of the *Canada Labor Code*, although the Governor in Council may still fix another rate by order.

employment standards legislation makes it an offense (although the extent of the applicable penalty may vary according to each law) for employers to pay covered employees less than the minimum wage, whether remuneration is calculated on an hourly, daily, weekly, monthly, or piece-work basis. It is also normally an offence for employees, in collusion with their employer, to work for less than the minimum wage rate or to reduce their wages below the legislated standard by directly or indirectly returning part of their pay. Parties are prohibited from contracting out of the minimum wage.

Legislation also provides statutory wage recovery mechanisms and, in addition, often specifically allows an employee to also sue in order to obtain the difference between wages actually received and wages that should have been earned if paid at the minimum rate.

As will be seen later, relevant sections of employment standards legislation indicate how and by whom the minimum wage is set. Minimum wage laws and regulations also specify which categories of employees they cover and, in some instances, whether differentials apply. They usually also contain related provisions regarding, for example, tips and gratuities, call-in (or "reporting") pay, partial hours and allowable deductions for lodging, meals and uniforms.

In addition, legislated general minimum wage rates are often supplemented by special orders, regulations or decrees that apply to particular industries, occupations or classes of employees and in some cases take into account special skills.

Current and Forthcoming Minimum Hourly Wage Rates For Experienced Adult Workers

Alberta	01-Sep-2005	\$7.00
Alberta	01-Sep-2007	\$8.00
British Columbia (3)	01-Nov-2001	\$8.00
Manitoba	01-Apr-2007	\$8.00
New Brunswick	05-Jan-2007	\$7.00
New Brunswick	01-Jul-2007	\$7.25
Newfoundland and Labrador	01-Jan-2007	\$7.00
Northwest Territories	28-Dec-2003	\$8.25
Nova Scotia (3)	01-May-2007	\$7.60
Nunavut	03-Mar-2003	\$8.50
Ontario	01-Feb-2007	\$8.00
Prince Edward Island	01-Apr-2007	\$7.50
Quebec	01-May-2007	\$8.00
Saskatchewan	01-Mar-2007	\$7.95
Yukon	01-Apr-2007	\$8.37

Young Workers

There has been a marked trend since the early 1980s toward the repeal of youth rates, presumably because these could be deemed contrary to the *Charter of Rights and Freedoms* which prohibits discrimination on the basis of age. Youth differentials nevertheless still exist in Ontario

Other jurisdictions do not provide minimum wage coverage for some young workers. In Newfoundland and the Yukon, the general minimum wage rate does not apply to employees under 16 and under 17 years of age respectively. However, young employees in the Yukon may be entitled to a minimum wage prescribed by regulation for a specific occupation.

Workers with Disabilities

At present, Alberta, Manitoba and Saskatchewan allow the payment of wages below the general minimum wage rate to workers with disabilities under a system of individual employer permits. Though these provisions are still on the books, they are little used. The federal jurisdiction, Newfoundland and Prince Edward Island have repealed such provisions over the years. Quebec's *Regulation respecting labor standards* excludes trainees undergoing a vocational integration program-under the *Act to secure the handicapped in the exercise of their rights* - from minimum wage provisions.

Domestic and Live-in Care Workers

Historically, domestic workers were excluded from the minimum wage rates and from most other employment standards. Today, however, only New Brunswick excludes them from the minimum wage.

Farm Labor

Farm labor has also traditionally been excluded from minimum wage provisions. The legislation in several jurisdictions still does not cover most farm workers. This is the case in Alberta, Manitoba, Ontario, and Saskatchewan. There are nevertheless some exceptions: in Saskatchewan, farm workers employed by egg hatcheries, greenhouses and nurseries, or bush clearing operations are covered by the minimum wage, unless it is an undertaking in which only members of the employer's immediate family are employed; in Ontario, persons employed to harvest fruit, vegetables or tobacco for marketing or storage are entitled to a rate equal to the general minimum wage or to the youth rate, depending on their age.

Homeworkers

Similarly, the situation of homeworkers (e.g. employees who "telework" or who work from their residence-as has frequently been the case in the clothing and textiles industry) has been regulated in a few jurisdictions. Manitoba's *Employment Standards Act* requires every employer engaging an employee to do home work to register with the Minister of Labor, and to maintain records of, among other things, the wages paid to the employee and deductions from pay. Moreover, the province's Director of Employment Standards may impose conditions and limitations on an employer respecting a homeworker's wages. The legislation in British Columbia applies to homeworkers and it requires an employer to provide a register of employees working in private residences. In New Brunswick, the provision of a special rate to workers whose hours of work are unverifiable undoubtedly has a bearing on homeworkers. In addition to the requirement to keep records and to provide employees with a written summary of the conditions of employment, employers in Ontario must also pay homeworkers a special minimum rate equivalent to 110 per cent the general minimum wage rate. The 10 per cent premium is intended to cover overhead and tool/machinery costs that are normally borne by the employer. Saskatchewan's *Labor Standards Act* provides full coverage to homeworkers and specifies clearly that the place of work is not relevant in determining whether an employer-employee relationship exists. Employers are required to keep records setting out the names of homeworkers, their addresses, and the portion of the work performed at home.

Occupational Health and Safety

Canadian occupational health and safety legislation is primarily based on three fundamental rights of workers:

The right to be informed of known or foreseeable safety or health hazards in the workplace;

The right to participate in the prevention of occupational accidents and diseases either as members of joint health and safety committees or as health and safety representatives; and

The right to refuse dangerous work and be protected against dismissal or disciplinary action following a legitimate refusal.

The occupational health and safety Acts usually lay down these principles and the general duties of employers and workers. Regulations issued under these Acts specify technical requirements that must be complied with, set standards that must be met and prescribe procedures that must be followed to reduce the risk of occupational accidents and diseases.

Officials appointed by the federal, provincial and territorial governments have the power to inspect workplaces and make a variety of orders directed at the employers and workers.

Inspections may be requested by employees, and the law protects them against dismissal or disciplinary action for seeking the enforcement of the occupational health and safety legislation.

Trafficking in Persons (TIP)

Although the law prohibits trafficking in persons, there were reports that persons were trafficked to, from, and within the country.

The criminal code makes trafficking in persons a specific criminal offense and prohibits global trafficking in persons, benefiting economically from trafficking in persons, and withholding or destroying documents to facilitate trafficking in persons. The Immigration and Refugee Protection Act (IRPA) establishes criminal penalties of up to life in prison and fines of up to \$870,000 (one million Canadian dollars) for convicted cross-border traffickers. The Government prosecutes all forms of trafficking, including kidnapping, forcible confinement, uttering threats, sexual assault, prostitution-related offenses, and extortion.

The Government has an interdepartmental working group, consisting of 17 departments and agencies and co-chaired by senior officials from the Ministries of Justice and Foreign Affairs, to combat trafficking in persons.

Through agencies such as Interpol, the Government created mechanisms to assist other countries with criminal investigations of trafficking cases and cooperated with law enforcement authorities in neighboring and source countries.

The country is a source, transit point, and destination for men, women, and children trafficked for the purposes of labor and sexual exploitation. In 2004 the RCMP estimated that 600 to 800 persons were trafficked into the country annually and that an additional 1,500 to 2,200 persons were trafficked through the country into the United States. Women and children were trafficked from Africa, Central and South America, Eastern Europe, and Asia for sexual exploitation. Most trafficking victims come from source countries in Asia, including South Korea, Thailand, Cambodia, Malaysia, and Vietnam. On a lesser scale, men, women, and children were trafficked for forced labor. Some Canadian girls and women were trafficked internally for commercial sexual exploitation.

In May the Government issued guidelines that defined the status of trafficking victims and offered avenues for victim's assistance. Under these guidelines officials may grant a temporary residence permit of 120 days (or longer, in special meritorious cases) to provide a reflection period for the victim and an investigative window for law enforcement to determine whether there is enough evidence to pursue a trafficking case. During this 120-day period, immigration officials determine whether a longer residency period of up to three years may be warranted. Nonetheless, NGOs reported anecdotal evidence that some victims of trafficking were arrested and deported. The RCMP implemented a law enforcement training program to sensitize officers about trafficking realities, to help identify potential trafficking victims, and to provide information about implementing the new guidelines.

The government's Interdepartmental Working Group on Trafficking in Persons, the policy development body for the federal government, trained officials to increase awareness about trafficking. The group also produced, translated into 14 languages, and distributed an antitrafficking pamphlet to the country's diplomatic missions and to NGOs with access to potential victims in source countries. In addition, the government supported efforts by NGOs and community organizations to raise awareness of trafficking and funded academic studies of the problem.

SOCIAL SAFETY NET

Old Age Pension

The Old Age Security program is one of the cornerstones of Canada's retirement income system. Benefits include the basic Old Age Security pension, the Guaranteed Income Supplement and the Allowance. After briefly describing the program's history and overall features, each of the specific benefits is described in turn.

Legislative history: The *Old Age Security Act* came into force in 1952, replacing legislation from 1927 requiring the federal government to share the cost of provincially-run, means-tested old age benefits

The Act has been amended many times. Among the most important changes have been:

- the drop in age of eligibility from 70 to 65 (1965);
- the establishment of the Guaranteed Income Supplement (1967);
- the introduction of full annual cost-of-living indexation (1972);
- quarterly indexation (1973);
- the establishment of the Spouse's Allowance (1975);
- payment of partial pensions based on years of residence in Canada (1977);
- the inclusion of Old Age Security in international social security agreements (ongoing);
- the extension of the Spouse's Allowance to all low-income widows and widowers aged 60 to 64 (1985);
- maximum of one year of retroactive benefits (1995);
- the ability for an individual to request that their benefits be cancelled (1995); and
- The extension of benefits and obligations to same-sex common-law partners (2000).

Guaranteed Income Supplement

The Guaranteed Income Supplement is a monthly benefit paid to residents of Canada who receive a basic, full or partial Old Age Security pension and who have little or no other income. Guaranteed Income Supplement payments may begin in the same month as Old Age Security pension payments. Recipients must re-apply annually for the Guaranteed Income Supplement benefit by filing an income statement or by completing an income tax return by April 30. Thus, the amount of monthly payments determined for the year may increase or decrease according to reported changes in a recipient's yearly income. Unlike the basic Old Age Security pension, the Guaranteed Income Supplement is not subject to income tax. The Guaranteed Income Supplement is not payable outside Canada beyond a period of six months, regardless of how long the person has lived in Canada.

U.S.-CANADA RELATIONS

The relationship between the United States and Canada is probably the closest and most extensive in the world. It is reflected in the staggering volume of bilateral trade--the equivalent of \$1.5 billion a day in goods--as well as in people-to-people contact. About 300,000 cross the shared border every day. Since January 23, 2007, all U.S. citizens traveling by air to and from Canada must have a valid passport to enter or re-enter the United States. The Departments of Homeland Security and State have proposed that as of January 31, 2008, U.S. citizens traveling between the United States and Canada by land or sea (including ferries) should be required to present a valid passport or government-issued photo identification such as a driver's license and proof of citizenship such as a birth certificate. Full implementation of the requirement that passports or other documents as determined by the Department of Homeland Security be

presented at land and sea crossings could be in place as early as mid-2008, but the exact date will be announced with at least 60 days' notice.

In fields ranging from law enforcement cooperation to environmental cooperation to free trade, the two countries work closely on multiple levels from federal to local. In addition to their close bilateral ties, Canada and the U.S. work closely through multilateral fora. Canada--a charter signatory to the United Nations and the North Atlantic Treaty Organization (NATO)--takes an active role in the United Nations, including peacekeeping operations, and participates in the Organization for Security and Cooperation in Europe (OSCE). Canada joined the Organization of American States (OAS) in 1990 and hosted the OAS General Assembly in Windsor in June 2000, and the third Summit of the Americas in Quebec City in April 2001. Canada seeks to expand its ties to Pacific Rim economies through membership in the Asia-Pacific Economic Cooperation forum (APEC), and will host the winter Olympic Games in Vancouver-Whistler, British Columbia in 2010.

Canada views good relations with the United States as crucial to a wide range of interests, and often looks to the U.S. as a common cause partner promoting democracy, transparency, and good government around the world. That said, it has pursued policies at odds with our own. . Canada decided in 2003 not to contribute troops to the U.S.-led military coalition in Iraq (although it later contributed financially to Iraq's reconstruction and provided electoral advice). Other recent examples are Canada's leadership in the creation of the UN-created International Criminal Court (ICC) for war crimes, which the U.S. opposes due to fundamental flaws in the treaty that leave the ICC vulnerable to exploitation and politically motivated prosecutions; its decision in early 2005 not to participate directly in the U.S. missile defense program; and its strong support for the Ottawa Convention to ban anti-personnel mines. The United States, while the world's leading supporter of demining initiatives, declined to sign the treaty due to unmet concerns regarding the protection of its forces and allies, particularly those serving on the Korean Peninsula, as well as the lack of exemptions for mixed munitions.

United States defense arrangements with Canada are more extensive than with any other country. Since 2002, Canada has participated in diplomatic, foreign assistance, and joint military actions in Afghanistan. Approximately 2,300 Canadian Forces personnel are deployed in Afghanistan under a battle group based at Kandahar airfield and the Canadian-led Multi National Brigade for Regional Command South in Kandahar and as members of the Canadian-led Provincial Reconstruction Team (PRT) at Camp Nathan Smith in Kandahar. Canada has committed to remain active in Afghanistan until at least 2009. Canada has also contributed to stabilization efforts in Haiti, initially with troops and later with civilian police and electoral assistance, and humanitarian and developmental aid.

Trade and Investment

The United States and Canada enjoy an economic partnership unique in the world. The two nations share the world's largest and most comprehensive trading relationship, which supports millions of jobs in each country. In 2006, total trade between the two countries exceeded \$500 billion. The two-way trade that crosses the Ambassador Bridge between Michigan and Ontario equals all U.S. exports to Japan. Canada's importance to the United States is not just a border-state phenomenon: Canada is the leading export market for 39 of the 50 U.S. States, and ranked in the top three for another 8 States. In fact, Canada is a larger market for U.S. goods than all 25 countries of the European Community combined, whose population is more than 15 times that of Canada.

Canada is an urban services-dependent economy with a large manufacturing base. Since Canada is the largest export market for most states, the U.S.-Canada border is extremely important to the well-being and livelihood of millions of Americans.

Canada is the sixth-largest foreign investor in the United States. At the end of 2005, the U.S. Commerce Department estimates that Canadian investment in the United States, including investments from Canadian holding companies in the Netherlands, was \$235 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.

The comprehensive U.S.-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 the 443 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 250%, creating many new challenges for the bilateral relationship. The Security and Prosperity Partnership of North America, launched by all three NAFTA countries in March 2005, represents an effort to address these challenges and others on a continental basis.

Canadian NAO Submission 2005-1 (MEXICAN PILOTS - ASPA) was filed on May 31, 2005. The submitters are 35 pilots who are supported by the Mexican Airlines Pilots Union (ASPA). The submission alleges failure on the part of the Government of Mexico to enforce its labor laws on freedom of association and the rights to organize and bargain collectively. It further alleges the failure to provide access to fair, equitable, and transparent labor tribunal proceedings. Canada formally rejected the submission for review on January 23, 2005.

Canadian NAO Submission 2003-1 (PUEBLA) was filed on October 3, 2003 by the United Students Against Sweatshops (USAS) and the Centro de Apoyo al Trabajador. The submission was also filed with the U.S. NAO and includes the same allegations of worker rights violations at two different garment factories located in Puebla, Mexico (for additional details, see U.S. NAO Submission 2003-01 summary). The Government of Canada accepted the submission for review on March 12, 2004. On May 11, 2005, the Canadian NAO issued a report recommending ministerial consultations and suggested that the three countries Parties to the NAALC undertake trilateral consultations in this case. The U.S., Mexico, and Canada are currently defining the scope of the consultations and continuing their dialogue to address and resolve the issues raised.

U.S. NAO Submission No. 9803 (MCDONALD'S) was filed on October 19, 1998 by the International Brotherhood of Teamsters, Teamsters Canada, the Quebec Federation of Labor, Teamsters Local 973 (Montreal), and the International Labor Rights Fund.

Submission 9803 raised issues of anti-union motivated plant closing; delays in the union certification procedure; and problems related to the certification process in cases involving multiple employers or multiple business locations based on the franchise system of corporate ownership. The issues arose from efforts to organize employees of a McDonald's restaurant in the city of St.-Hubert, Quebec, Canada.

The NAO accepted the submission for review on December 18, 1998. Pursuant to the request of the submitters, the NAO ended its review on April 21, 1999 after consultations with the Canadian NAO and the government of Quebec. The submitting labor organizations reached an agreement with the government of Quebec to have the issues of sudden and anti-union motivated plant closings raised in the submission studied by a provincial council.

U.S. NAO Submission 9804 (RURAL MAIL COURIERS) was filed on December 2, 1998 with the U.S. NAO by the Organization of Rural Route Mail Couriers, Canadian Union of Postal

Workers, National Association of Letter Carriers, and several other labor organizations in the United States, Mexico, and Canada.

The submission raised concerns about the *Canada Post Corporation Act*, which includes a provision that denies rural route mail couriers the right to bargain collectively. The submitters alleged that rural route mail couriers do not have adequate protection for occupational injuries and illnesses and protection against employment discrimination.

In accordance with procedural guidelines, on February 1, 1999 the NAO declined to accept the submission for review.

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