

Hon. Mark Eyking
Chair, Standing Committee on International Trade
House of Commons
Ottawa, Canada

Dear Hon. Mark Eyking,

Pursuant to the Standing Order 109 of the House of Commons, I am pleased to respond on behalf of the Government of Canada to the recommendations made in the Report of the Standing Committee on International Trade entitled: *Trans-Pacific Partnership Agreement: Benefits and Challenges for Canadians*, tabled in the House of Commons on April 10, 2017.

The Government of Canada extends its gratitude to the Committee for its work, recognizing that the Committee's study was conducted over many months and involved a range of stakeholders through public consultations in Ottawa and across the country, including written submissions. The Government of Canada also expresses its appreciation to the stakeholders who appeared as witnesses over the course of the Committee's study.

The different perspectives heard on the TPP is a testament to the importance of the Government's and the Committee's commitment to holding an open and transparent dialogue with Canadians on Canada's potential participation in the TPP.

This comprehensive report demonstrates the Committee's commitment to assessing the potential impacts of the TPP for Canada, and Canada's potential participation in it. The recommendations contained in the report will serve to guide Government approaches moving forward on Canada's trade and investment agenda, its engagement with Canadians, its trade infrastructure and services to Canadians as well as economic, environmental and gender assessments for all major trade agreements prior to the ratification. I wish to thank you and your colleagues for your contribution to this process.

Please find below the Government's Response to the recommendations of the Report.

**GOVERNMENT RESPONSE TO THE SIXTH REPORT OF THE STANDING COMMITTEE ON
INTERNATIONAL TRADE: THE TRANS-PACIFIC PARTNERSHIP AGREEMENT: BENEFITS
AND CHALLENGES FOR CANADIANS**

INTRODUCTION

The Government of Canada is pleased to respond to the Sixth Report of the House of Commons Standing Committee on International Trade, entitled *The Trans-Pacific Partnership Agreement: Benefits and Challenges for Canadians*.

The Government of Canada appreciates the work of the Committee and welcomes the analysis, views and recommendations, based on the consultations that the Committee undertook with a wide range of stakeholders across the country. The goal was to assess the extent to which ratification of the Trans-Pacific Partnership (TPP) would be in the best interests of Canadians. The Government has carefully reviewed the Committee's report and recommendations and welcomes the opportunity to provide a response along the following themes:

- Canada's Trade and Investment Agenda;
- Broad, Proactive and Inclusive Engagement with Canadians;
- Canada's Trade Infrastructure and Services to Canadians; and
- Evaluating the Impacts and Outcomes of Trade Agreements.

The Government would like to thank the Committee for its report and for its continued interest in trade and investment issues.

CANADA'S TRADE AND INVESTMENT AGENDA

This theme addresses Recommendations 1, 3, 4, 6, and 11 of the Committee's report.

Trade and Investment in the Asia-Pacific

Canada is a trading nation, and international trade and investment are important drivers of growth for Canada's businesses and economy. This growth, in turn, translates to more well-paying jobs for the middle class and those who are working hard to join it.

The Asia-Pacific, in particular, is a priority market for Canada and will remain a key element of our progressive trade agenda as Canada seeks new opportunities for exports and investment. The Government is committed to advancing our economic interests in

this region, and has agreed with remaining TPP signatories to assess options on how best to facilitate a more free, progressive and open trading environment in the region and is willing to consider a broad range of initiatives that would be in Canada's interest. The Government is already active in this respect; namely, we are conducting exploratory discussions for a potential free trade agreement (FTA) with China, and have initiated a joint feasibility study to examine the potential for an FTA with the Association of Southeast Asian Nations (ASEAN). The Government is also seeking to resume negotiations with Japan toward a Canada-Japan Economic Partnership Agreement (CJPEA).

Progressive Trade Agenda

Over the past year, the Government of Canada has been engaged in discussions with Canadian citizens and stakeholder groups across the country with respect to its approach to trade. The Government recognizes that trade policies need to be designed to respond and contribute meaningfully to the Government's overall economic, social, and environmental policy priorities. This recognition is at the heart of the Government's commitment to a progressive trade agenda.

Progressive trade means doing everything we can to ensure that all segments of society can take advantage of the opportunities that flow from trade and investment – with a particular focus on women, Indigenous peoples, youth, and small- and medium-sized enterprises (SMEs). It also means making sure the gains from trade are more sustainably and broadly shared.

For Canada, the progressive trade agenda translates into strong provisions in trade agreements in important areas such as worker's rights, environment protection, gender equality and reinforcing the continued right of governments to regulate in the public interest. Canada pursues, and will continue to pursue, these types of provisions in our bilateral, regional and multilateral trade initiatives.

In addition, the progressive trade agenda means an open and transparent process, and maintaining an ongoing dialogue with a broad range of civil society and other stakeholders, including small and medium-sized businesses, women-owned enterprises, non-governmental organizations, and Indigenous peoples and northern communities. This includes an appropriate level of transparency for negotiations and related activities. It also means the promotion and communication of the benefits of trade and investment, and helping to create jobs for the middle class.

The Canada-European Union Comprehensive Economic and Trade Agreement (CETA) is a model of how progressive approaches can be included in trade agreements. The changes the Government made to the investment chapter of the Canada-EU CETA in 2016 illustrates our new approach to trade. The investment dispute resolution mechanism in CETA is the most progressive of any FTA, introducing innovations such as a revised process for the selection of tribunal members; more detailed commitments on ethics for all tribunal members; as well as an appellate mechanism.

Trade and Environment and Climate Change

Canada's recently concluded FTAs cover an expanding range of areas, including provisions relating to commitments Canada has taken in the context of multilateral environmental agreements such as the Paris Agreement.

Canada has long recognized the principle that trade and environmental protection should be mutually reinforcing objectives. Fostering robust environmental governance as our trade relationships expand is important to ensuring long-term, sustainable economic growth and well-being. Accordingly, the inclusion of environmental commitments in FTAs helps ensure that the increased prosperity resulting from liberalized trade does not occur at the expense of environmental protection. These important considerations will continue to guide Canada's objectives when negotiating environmental provisions in our international trade and investment agreements.

Supply Management

The Government fully supports Canada's supply management system and will continue to promote Canadian agricultural interests in the context of our trade negotiations. The Government is also committed to developing new markets around the world for Canadian agricultural products.

In line with the Committee's recommendation to ensure the existence of programs and initiatives designed to minimize the possible negative impacts that trade agreements can have on the supply-managed sectors, on November 10, 2016, the Government of Canada announced it would establish two new investment programs aimed at encouraging greater innovation and diversification in the dairy sector, in response to the recently concluded CETA. The aim is to equip the industry with the tools necessary to adapt to the new market conditions that will be created by CETA, and avoid any potential negative impacts.

More specifically, the programs aim to encourage the adoption of new innovative on-farm technology and equipment by dairy producers, and the adoption of modern infrastructure and equipment to encourage product diversification in dairy processing.

BROAD, PROACTIVE AND INCLUSIVE ENGAGEMENT WITH CANADIANS

This theme addresses Recommendations 2, 5, 7, 8, and 12 of the Committee's report.

As part of its progressive trade agenda, the Government of Canada will continue to undertake broad and inclusive consultations with Canadians on trade and investment issues, thereby fostering greater transparency and openness in the process, and ensuring that trade and investment agreements are in Canada's best interest and meet the needs of Canadians. For example, this is an opportunity for the Government to consult a broad range of stakeholders in order to identify barriers and obstacles to trade such as non-tariff barriers, but also to hear from stakeholders about how trade and investment agreements have been beneficial to them. Specific efforts will continue to be made to engage not only with businesses and industry associations, but also with non-business stakeholders and groups, such as youth, academics, labour groups, civil society organizations and women.

In addition, as part of its commitment to foster a renewed nation-to-nation relationship with Indigenous peoples, the Government will also continue to prioritize engagement with the National Indigenous Organizations (NIOs), Modern Treaty Signatories, as well as Indigenous businesses.

As noted in the Committee's report, with respect to the TPP, the Government of Canada consulted with various groups and stakeholders, including all provinces and territories, industry associations, civil society organizations, academics, Indigenous groups, students and the general public. Many of the stakeholders the Government met with have also testified before the Committee in the context of its study of the TPP. These interactions with stakeholders have been enlightening, informative and passionate. Canadians across the country, across regions and across sectors have expressed various views that have contributed greatly to the national dialogue on trade generally the TPP specifically. The different perspectives heard by the Government and the Committee speak to the importance of an open and transparent dialogue with Canadians on trade initiatives.

As another example of comprehensive consultations for an Asia-Pacific trade initiative, the Government's public consultations regarding a potential Canada-China FTA involves extensive consultations with a broad range of stakeholders, including non-business stakeholders such as academics, environmental groups and human rights organizations. These consultations will help inform whether it is in Canada's interest to launch formal negotiations for an FTA with China.

In all trade and investment negotiations, the Government works closely with the provinces and territories to make sure that future agreements reflect and take into account the realities of all regions and populations across the country. This close collaboration reflects the Government's commitment to improving partnerships with provincial and territorial governments, and will continue as the Government contemplates new trade and investment opportunities in the Asia-Pacific and elsewhere.

In addition to trade negotiations, effective communications is central to the work of the Government of Canada and contributes directly to the Canadian public's trust in government. This includes proactively engaging on an ongoing basis with Canadians on the benefits of an open economy and international trade.

The Government of Canada has a strategy to promote the benefits of trade, including for existing and upcoming free trade agreements. A proactive communications approach is also being used to highlight the Government's efforts to engage with the public, and to communicate activities underway to boost Canada's economic prosperity.

The 2016 *Policy on Communications and Federal Identity* places a strong emphasis on the use of digital media as a key means to reach Canadians. A full suite of communications products and activities, including traditional and digital, is currently used and will continue to be part of the Government's approach.

CANADA'S TRADE INFRASTRUCTURE AND SERVICES TO CANADIANS

This theme addresses Recommendations 9 and 10 of the Committee's report.

Infrastructure

The Government of Canada recognizes the crucial role that transportation infrastructure plays in the economy by facilitating the movement of goods and people to markets abroad.

In Budget 2017, the Government announced an investment of \$10.1 billion over 11 years in trade and transportation projects. This includes the establishment of a National Trade Corridors Fund, with an allocation of \$2.0 billion over 11 years. This fund will help to build stronger, more efficient transportation corridors to international markets and help Canadian businesses to compete, grow and create more jobs for Canada's middle class. Priority investments will include those that address congestion and bottlenecks along vital corridors and around transportation hubs and ports providing access to world markets. Further details about the National Trade Corridors Fund and other trade and transportation projects will be released in the months ahead.

The Government also announced in Budget 2017 its commitment to establish a new Canada Infrastructure Bank, an arm's-length organization that will work with provincial, territorial, municipal, Indigenous and private sector investment partners to transform the way infrastructure is planned, funded and delivered in Canada. The Canada Infrastructure Bank will be responsible for investing at least \$35 billion over 11 years from the federal government using loans, loan guarantees and equity investments. These investments will be made strategically, with a focus on large, transformative projects.

Services to Canadian Businesses

The Government of Canada is committed to developing a specific FTA promotion program for future trade agreements. Such programs would include information seminars, webinars, and other online resources aimed at informing Canadian businesses of the opportunities generated by the FTAs, as well as the support available to exploit them. Similar efforts are currently underway for CETA, the Canada-Korea FTA and the Canada-Ukraine FTA.

Through Global Affairs Canada, the Government provides extensive on-line training materials for new exporters such as the recently launched "Step-by-Step Guide to Exporting". Other federal departments and agencies (Export Development Canada, regional development agencies), as well as provincial, territorial and municipal governments, also provide exporter training, both online and in person. In addition, Global Affairs Canada, Innovation, Science and Economic Development, and Employment and Social Development Canada support the Forum for International Trade Training, a not-for-profit organization dedicated to providing international business training, resources and professional certification to individuals and businesses.

The Canadian Trade Commissioner Service (TCS) promotes its export services and tools to Canadian SMEs and businesses through its online presence, which is comprised of the following digital engagement channels:

- [Tradecommissioner.gc.ca](https://tradecommissioner.gc.ca): provides insight on TCS programs and services as well as contact information for trade commissioners located at offices in Canada and abroad.
- [MY TCS | MON SDC](#): a secure platform where registered Canadian SMEs and partners can access all TCS export publications, market reports and guides including the new [Step-by-Step Guide to Exporting](#). Registrants may opt-in to receiving email notifications of upcoming trade events, programs, services and information tools targeting their sector(s) or market(s) of interest.

- [CanadExport](#): a bi-weekly online magazine with articles, videos and podcasts providing insights on export opportunities, client success stories and trade events.
- Other social media platforms popular with the Canadian business community (e.g. [LinkedIn](#), [Twitter](#), [YouTube](#)).

Export Development Canada has a strong online presence with information for exporters, and makes use of paid television and online advertising to inform the business public of its services. Agriculture and Agri-Food Canada also has a web presence, offering extensive on-line information for exporters of agricultural and food products.

Recognizing the importance of high-potential firms (HPFs), Budget 2016 announced the launch of an initiative supporting growth through coordinated service delivery. The Accelerated Growth Service (AGS) pilot initiative was launched in June 2016 as part of the Innovation Agenda. Budget 2017 reaffirmed the Government's commitment to the vision and mandate of the AGS. The AGS represents client-centric, coordinated service delivery across the federal government, tailored to meet the needs of HPFs at all stages of scale-up. The AGS met its target of enrolling 150 firms in 2016-2017. Its target for 2017-2018 is to enroll an additional 300 firms.

EVALUATING THE IMPACTS AND OUTCOMES OF TRADE AGREEMENTS

This theme addresses Recommendations 13 and 14 of the Committee's report.

The Government of Canada is committed to the evaluation of the economic, social, environmental, and gender impacts and outcomes of trade and investment agreements on Canadians.

As in the case of the Trans-Pacific Partnership agreement, the Government carried out an economic impact assessment shared with this Committee and posted it on the Global Affairs Canada website on September 9, 2016. In its economic modeling, the Government considered two possible scenarios – a scenario where Canada is in the TPP and a scenario where Canada is not. In short, the study projects GDP gains of \$4.3 billion over the long term, if Canada chooses to be a Party to the Agreement. If Canada were to opt out of the agreement, and the other 11 countries went ahead, the study projects a long term decline in GDP of \$5.3 billion.

There is a strong diversity of perspectives asserting various economic outcomes from the TPP, including the outcomes shared by Tufts University, the Peterson Institute for International Economics, and the C.D. Howe Institute. There are other notable studies, but the findings in these three represented the source of much of the discussion on the TPP outcomes. Using the same pieces of available information, these studies reach very

different conclusions with regards to the potential impact of the TPP. The array of available information and analysis demonstrates why the Government of Canada, going forward, will continue to consider studies from various sources.

In addition to analysis conducted on the economic impacts of trade agreements once they are concluded, as was done by the Government for the TPP, analysis of the economic impact of potential trade initiatives is also frequently conducted at earlier stages, in the context of exploratory discussions or joint feasibility studies. For example, Canada is conducting joint feasibility studies with both China and ASEAN that will be made public once completed.

The Government also conducts environmental assessments of Canada's major trade agreements. In accordance with the Cabinet Directive on the Environmental Assessment of Policy, Plan and Programs, Global Affairs Canada developed a Framework for Conducting Environmental Assessment of Trade Negotiations. This Framework establishes the process and analytical requirements to conduct assessments and systematically identify and evaluate the potential environmental impacts of each trade and investment initiative. This process includes a call for public submissions through the *Canada Gazette* process, as well as an independent review from a Committee comprising key non-governmental environmental experts who provide additional guidance and information to the Government on each assessment.

Gender equality and the empowerment of women is another of the Government's top priorities. As part of the Government's implementation of the Action Plan on Gender-based Analysis (2016-2020), the Government of Canada is integrating Gender-Based Analysis + (GBA+) as part of the assessment of the impacts of potential trade and investment initiatives.

Once again, I would like to thank the Committee for its work in producing this report, and for its valuable recommendations.

Yours sincerely,

The Honourable François-Philippe Champagne, P.C., M.P.