

**GOVERNMENT RESPONSE TO THE EIGHTH REPORT OF THE STANDING
COMMITTEE ON INTERNATIONAL TRADE: *PRIORITIES OF CANADIAN
STAKEHOLDERS HAVING AN INTEREST IN BILATERAL AND TRILATERAL TRADE
IN NORTH AMERICA, BETWEEN CANADA, THE UNITED STATES AND MEXICO***

INTRODUCTION

The Government of Canada is pleased to respond to the Eighth Report of the House of Commons Standing Committee on International Trade, entitled *Priorities of Canadian Stakeholders Having an Interest in Bilateral and Trilateral Trade in North America, Between Canada, the United States and Mexico*.

The Government of Canada appreciates the work of the Committee and welcomes its analysis, views and recommendations, based on the consultations that the Committee undertook with a wide range of stakeholders. The goal of the study was to identify the priorities of Canadian stakeholders with an interest in bilateral and trilateral trade in North America, particularly in light of the ongoing modernization of the *North American Free Trade Agreement* (NAFTA). The Government has carefully reviewed the Committee's report and recommendations and welcomes the opportunity to provide a response, which has been organized along the following 6 themes:

- Canada and the *North American Free Trade Agreement*;
- Canada's Progressive Trade Agenda;
- Managing Access to Markets in North America;
- Movement of Goods , Services and People within North America;
- Dispute Resolution Mechanisms under the *North American Free Trade Agreement*; and,
- Trade Promotion Services.

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

THEME 1: CANADA AND THE NORTH AMERICAN FREE TRADE AGREEMENT

This theme addresses Recommendations 1, 2, 3, 4, 6, and 7 of the Committee's report.

Over the past 24 years, NAFTA has contributed to a highly integrated North American economy, which allows Canadian companies to be more competitive in the global marketplace. Over that same period of time, the global economy has also been transformed by rapid technological advances and new digital economies. Through the ongoing modernization of NAFTA, Canada's objective is to make the agreement more modern and progressive, and in turn enhance economic growth in Canada. A more inclusive and progressive NAFTA will help ensure that all segments of society can take advantage of, or benefit from, the opportunities that flow from trade and investment in North America.

Canada's overarching objectives for these negotiations are clear: protect NAFTA as an engine of job creation and economic growth; make NAFTA more progressive; and uphold and, where appropriate, enhance the elements in NAFTA that are key to our national economic interests.

Canada is committed to modernizing and improving NAFTA. The Government continues to engage constructively with both the United States and Mexico with the aim of reaching mutually-beneficial outcomes that will continue to serve Canadians for decades to come. While actively working to identify potential paths forward in the negotiations, Canada will not accept an outcome that is not in our country's overall best interest. We are looking for a good deal for Canada, and one that makes North America more competitive in the global marketplace.

The Government of Canada recognizes that trade is vital for the Canadian economy. Opening markets grows Canadian businesses and creates good paying middle class jobs. On January 23, 2018, the Government of Canada was pleased to announce the successful conclusion of the new Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which will benefit Canadians for decades to come. Canada is also pursuing free trade agreement (FTA) negotiations with India, and the Pacific Alliance. Canada is also undertaking FTA exploratory discussions with China, the Association of Southeast Asian Nations (ASEAN) and Mercosur.

A “Whole of Canada” Approach

A strong and unified pan-Canadian approach is essential to protecting our national interests and advancing Canadian priorities in the NAFTA negotiations. Canada's strategy of high-level engagement with the United States aims to build and strengthen crucial relationships with decision-makers, with a focus not only on political leadership in Washington, D.C., but also those in regions across the United States.

In concert with the provinces and territories, Canada is pursuing a “whole-of-Canada” approach to engagement that reflects the multi-layered nature of the Canada-United States relationship. This includes outreach by the Prime Minister and members of Cabinet, Parliamentarians, premiers, provincial/territorial ministers and mayors across the United States. The Government and its partners are also reaching out to states who would see immediate economic consequences of a withdrawal from NAFTA by the United States, as well as members of Congress on key committees, and business leaders whose success depends on NAFTA.

NAFTA has supported the development of highly integrated and efficient North American supply chains, which have enhanced the competitiveness of the region globally. Canada is sending a clear message that a failure to preserve the benefits of NAFTA will have real and negative consequences for the entire North American economy.

Consulting Canadians

The Government of Canada has been actively consulting and engaging with Canadians on the modernization of NAFTA since February 2017, including businesses, industry associations, civil society, Indigenous representative institutions and stakeholders, women entrepreneurs, academics and youth. Canadian businesses and industry associations share the view that NAFTA has been an extremely positive agreement for all three countries and an engine of economic growth for North America. The Government's extensive consultations provide valuable opportunities for Canadians, representing many of the diverse regions and populations of our society, to provide their perspectives on Canada's negotiating priorities.

Canada's objectives for these negotiations have been based on extensive and ongoing consultations. As of February 9, 2018, the Government of Canada has met with over 1,000 Canadian stakeholders, including local communities from across the country, and continues to meet stakeholders throughout the negotiations. The Government has received over 46,000 written submissions, through the *Canada Gazette* process and the NAFTA consultations website.

The Government has also established a wide reaching formal consultation mechanism that includes a steering committee and sectoral groups. The sector-specific groups include: agriculture; automotive and auto parts; civil society; culture; energy; infrastructure and government procurement; labour; metals; services; and, transportation.

The Government of Canada also works very closely with our provincial and territorial colleagues, who are invited to travel to the negotiation sites to be provided with regular updates on the talks. We will continue to work collaboratively with provinces and territories to ensure their interests continue to be reflected in Canada's positions.

THEME 2: CANADA'S PROGRESSIVE TRADE AGENDA

This theme addresses Recommendations 5, 25, 26, 27, and 28 of the Committee's report.

Canada will continue to embrace open and rules-based trade while making sure the gains from trade are more broadly and equitably shared. Canada views the modernization of NAFTA as a unique opportunity to incorporate new elements into NAFTA to make it more progressive and inclusive. As such, Canada is proposing to: integrate strong labour and environment chapters; reinforce the right of governments to regulate in the public interest; and, integrate new chapters on trade and gender, and trade and Indigenous peoples.

Labour

The Government has consulted extensively with Canadians and is taking an ambitious approach that reflects Canada's high labour standards and the need to ensure a level-playing field for Canadian workers and businesses. As part of the modernization of NAFTA, Canada aims to incorporate comprehensive labour obligations into the agreement.

Gender

The Government recognizes the importance of gender considerations as they relate to FTAs, which is why Canada has proposed a stand alone chapter on trade and gender. This chapter would acknowledge the importance of incorporating a gender perspective into economic and trade issues to ensure that economic growth benefits everyone. It would also provide a framework to undertake cooperative activities on issues related to gender and trade to help ensure that women and women-owned small and medium-sized enterprises (SMEs) can benefit from the opportunities that flow from NAFTA trade and investment. Gender is also an important consideration of the Government across the NAFTA modernization.

Environment

The Government of Canada is firmly committed to the principle that trade and investment liberalization and environmental protection should go hand-in-hand. As part of the modernization of NAFTA, Canada is proposing to incorporate comprehensive environmental obligations in the agreement. Specifically, Canada is proposing commitments for NAFTA countries to maintain high levels of environmental protection and robust environmental governance as trade is liberalized, to effectively enforce their environmental laws, and to not weaken or derogate from these laws in order to encourage trade or investment. As well, Canada is proposing commitments that support efforts to address global environmental challenges, including climate change.

Indigenous Peoples

The Government has been in close dialogue with Indigenous partners regarding Canada's efforts to advance the concept of a NAFTA chapter on trade and Indigenous peoples, a first for Canada. Canada's initial proposal includes a reference to the *United Nations Declaration on the Rights of Indigenous Peoples*, and aims to provide greater opportunities for Indigenous peoples to take advantage of the economic opportunities of a modernized NAFTA. The Government remains committed to continuing the dialogue with Indigenous groups and leaders on how a modernized NAFTA can better address their concerns and support the ability of Indigenous peoples and businesses to benefit from NAFTA trade and investment.

THEME 3: MANAGING ACCESS TO MARKETS IN NORTH AMERICA

This theme addresses Recommendations 8, 9, 10, 11, 15, and 16 of the Committee's report.

Principle of 'Do No Harm'

The Principle of 'do no harm' is jointly shared by stakeholders across Canada, Mexico and the United States. Overall, Canada's goal is to improve upon an already good agreement by making it more modern and progressive. Canada hopes to modernize NAFTA so that it can fully address the challenges of the 21st Century while advancing and protecting Canadian values.

Non-Tariff Barriers to Trade

The NAFTA partners have a strong history of bilateral and multilateral cooperation in the areas of non-tariff barriers to trade. Canada will continue to look to enhance market access by addressing non-tariff barriers in ways that are mutually beneficial or advance Canadian interests.

Canada has underlined the importance of achieving a balanced but ambitious outcome that builds on existing commitments in a North American context, and that the agreement should be forward-looking and reflective of the sophisticated trilateral relationship. This includes eliminating or reducing discriminatory non-tariff barriers to Canadian exports in areas such as sanitary and phytosanitary measures, technical barriers to trade and other regulatory requirements.

Canada is committed to modernizing the agreement in a manner that reflects the high level of integration of the North American market and includes disciplines to prevent unjustified, overly restrictive or discretionary non-tariff barriers.

Rules of Origin

Canada's objective is to simplify and modernize the NAFTA rules of origin, and incorporate new approaches as necessary to preserve and enhance Canada's preferential access to the United States and Mexican markets. This includes streamlining the origin certification and verification procedures to administer the rules of origin as a means to reduce costs and further facilitate the flow of goods.

Automotive producers in Canada, along with their counterparts in the United States and Mexico, support the current NAFTA trade regime. They believe that the agreement has worked extremely well in stimulating North American production and integration for nearly a quarter of a century. In close consultation with industry stakeholders, Canada is advancing an approach that is intended to reduce costs, support jobs, and promote the competitiveness of the integrated North American automotive sector.

Softwood Lumber

The Government of Canada understands the importance of the softwood lumber industry and its contribution to the Canadian economy. The softwood lumber industry serves as an economic anchor for communities across the country.

While the softwood lumber industry is actively seeking to diversify its markets outside of North America, stability and predictability in its market access to the United States is crucial to its ongoing success. A negotiated agreement is the best outcome for industry on both sides of the border, and Canada will only accept a deal that is beneficial to our softwood lumber industry. While Canada is prepared to continue working towards that goal, the Government remains committed to defending our industry's interests through litigation. In this regard, Canada has launched challenges before the World Trade Organization (WTO) and under Chapter 19 of NAFTA in response to the United States decision to impose countervailing and anti-dumping duties on imports of certain Canadian softwood lumber products.

Supply Management

The Government of Canada has been able to consistently pursue a strong free trade agenda, while at the same time preserving and maintaining the core pillars of supply management. The Government will continue to advance a trade agenda that helps open markets for Canadian goods and services, while promoting and defending Canada's system of supply management.

Public Procurement

Access to North American procurement markets is a priority for the Government of Canada. Government procurement commitments in NAFTA and other FTAs provide non-discriminatory, fair and transparent government procurement opportunities for Canadian suppliers and taxpayers by broadening choices and lowering costs associated with government procurement. These provisions also allow for increased opportunities for North American businesses and better reflect the integrated nature of companies across all three markets.

THEME 4: MOVEMENT OF GOODS, SERVICES AND PEOPLE IN NORTH AMERICA

This theme addresses Recommendations 17, 18, 19, 20, 21, and 22 of the Committee's report.

Movement of Goods

Canada is working collaboratively with the United States and Mexico to negotiate a new NAFTA chapter on customs administration and trade facilitation. The aim is to build on the WTO Agreement on Trade Facilitation by further simplifying, modernizing and standardizing trade-related customs procedures and enhancing cooperation between the NAFTA Parties. The end result would be an increase in the predictability, uniformity, transparency and efficiency associated with the movement of goods between the Parties, providing direct gains for traders.

Om de minimis, increasing the threshold would place Canadian "brick and mortar" and online businesses at a disadvantage, by providing more favourable treatment to goods sold by foreign retailers than goods sold in Canada by domestic operations. We need to carefully consider the impact that would have on Canadians and on Canadian businesses, not to mention economic and administrative considerations for both the federal and provincial governments.

Digital Trade

In the 24 years since NAFTA came into effect, the global, North American, and Canadian economies have been transformed by the technology revolution. NAFTA would benefit from addressing this new reality in a way that ensures we continue to have a vibrant and internationally competitive technology sector and that all sectors of our economy can reap the full benefits of the digital age. In the context of NAFTA modernization, Canada will continue to work with Mexico and the United States on the development of provisions in this area, while ensuring that Parties may continue to pursue legitimate public policy objectives, such as those relating to the protection of personal information.

Regulatory Cooperation

The modernization of NAFTA presents a valuable opportunity to increase competitiveness on both sides of the border by cutting red tape and strengthening efforts to align regulations. Canada's objective during the negotiations includes promoting the use of good regulatory practices in the development and implementation of regulatory measures, as well as promoting regulatory alignment and cooperation in order to reduce unnecessary burdens and enhance trade.

Canada is proposing specific provisions to encourage NAFTA Parties to follow good regulatory practices, including regulatory impact assessments, regulatory review, and regulatory transparency.

Canada will continue to work collaboratively with United States counterparts on regulatory cooperation initiatives that could benefit regulators and industry, including through the Regulatory Cooperation Council. From a trilateral perspective, the NAFTA Parties also continue to work on areas of mutual interest to all three countries.

Intellectual Property

Canada has an effective intellectual property (IP) regime that encourages, incentivizes, and rewards innovation and creation, and reflects international standards. Canada has made significant strides to modernize and update its IP regime, both to foster innovation and, in some cases, to align with ongoing reforms of our international partners. Canada has a strong track record for reforming its IP framework in a way that supports innovation and creation while maintaining the important balance between IP owners and users. Canada consistently looks to preserve this balance in its FTAs.

The Government of Canada is interested in modernizing the IP chapter in NAFTA to reflect recent IP-related developments and multilateral standards since NAFTA came into force in a manner that makes sense for all three Parties. Canada is advancing an approach that is reflective of Canadian IP law and policy, including existing flexibilities, and appropriately balances the rights of IP right holders with a range of public policy objectives. Additionally, it will be important that NAFTA outcomes support the Government's Innovation and Skills Plan and Canada's participation in the knowledge economy.

Culture

Culture is the heart of a nation. As countries become more economically integrated, nations need strong domestic cultures and cultural expression to maintain their sovereignty and sense of identity. Through its cultural policies and regulatory framework, Canada supports and promotes its rich cultural diversity and ensures that Canadians have access to content that represents their own realities, while ensuring that its foreign trading partners, such as the United States and Mexico, can access Canadian consumers and continue to develop business opportunities. Canada will continue to vigorously protect its cultural interests, and, in the context of FTAs, will maintain the ability to develop and implement domestic policies and programs in support of Canadian creative industries.

Labour Mobility

One of Canada's core objectives for the modernization of NAFTA is to ensure the continued movement of professionals across the border in support of Canadian trade and investment. Such movement is essential to increasing companies' ability to innovate across blended supply chains and remain competitive in North America and the world.

THEME 5: DISPUTE RESOLUTION MECHANISMS UNDER THE *NORTH AMERICAN FREE TRADE AGREEMENT*

This theme addresses Recommendations 23, and 24 of the Committee's report.

Effective, transparent, and enforceable dispute settlement provisions are a critical part of any FTA. Canada will continue to defend and preserve the elements of NAFTA that are considered fundamental to our national interest, including enforceable dispute settlement. With regards to state-to-state dispute settlement (Chapter 20 of NAFTA), Canada's objective is to modernize the process in a manner that makes it more effective and transparent.

With regard to the investment chapter, Canada's objective is to modernize the disciplines in a manner that ensures an appropriate balance between the interests of all parties and stakeholders. Canada will push for a modern and progressive investment chapter, drawing on what was achieved in the Canada-European Union Comprehensive and Economic Trade Agreement (CETA) and other recent agreements. In addition, the Government will continue to make sure that a government's right to regulate in the public interest is not compromised.

Canada has proposed improvements to the binational dispute resolution mechanism for anti-dumping and countervailing duty matters (Chapter 19 of NAFTA). Effective, transparent, and enforceable dispute settlement provisions have been key to the success of NAFTA, and the obligations in Chapter 19 are an essential element of the overall NAFTA market access package.

THEME 6: TRADE PROMOTION SERVICES

This theme addresses Recommendations 12, 13, and 14 of the Committee's report.

Through Global Affairs Canada, the Government provides extensive on-line training materials for new exporters. Other federal departments and agencies (including Export Development Canada, Business Development Bank of Canada, and regional development agencies) provide exporter training. 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](http://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](http://tradecommissioner.gc.ca/secure-securisee/sign-in-inscrivez-vous.aspx?lang=eng) (<http://tradecommissioner.gc.ca/secure-securisee/sign-in-inscrivez-vous.aspx?lang=eng>): a secure platform where registered Canadian SMEs and partners can access all TCS export publications, market reports and guides including the [Step-by-Step Guide to Exporting](http://tradecommissioner.gc.ca/eng/guide-exporting.jsp) (<http://tradecommissioner.gc.ca/eng/guide-exporting.jsp>). 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 (<http://tradecommissioner.gc.ca/canadexport/index.aspx?lang=eng>): 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](#) (Trade Commissioner Service (TSC)), [Twitter](#) (@TCS-SDC), [YouTube](#) (Trade Commissioner Service (TSC))).

Export Development Canada (EDC) has a strong online presence with information for exporters, and makes use of 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.

The Business Development Bank of Canada (BDC) offers advisory services to assist entrepreneurs interesting in international expansion. These solutions can help determine a business' export readiness, identify potential markets and develop an expansion strategy. BDC also offers financing for businesses interested in pursuing market expansion projects both domestically and abroad. BDC works closely with TCS and EDC to promote its services. The new Innovation Canada web portal can also be leveraged as a "one-stop-shop" with resources dedicated to small and medium-sized enterprises (SMEs).

Small and Medium-Sized Enterprises

The inclusion of an SME chapter in a modernized NAFTA would further recognize the contribution that SMEs make to our economies. The chapter would serve to support the growth and development of SMEs by enhancing their ability to participate in and benefit from the opportunities created by the Agreement, including through cooperative activities, information sharing, and the establishment of a NAFTA Trilateral SME Dialogue, involving the private sector, non-government organizations, and other stakeholders. Canada has also proposed a stand alone chapter on trade and gender, which would provide a framework to undertake cooperation activities on issues related to gender and trade to help ensure that women-owned SMEs can benefit from the opportunities that flow from trade and investment.

Creating the conditions for women to become entrepreneurs is a key priority for the Government and is reflected in a number of programs and initiatives, including the following initiatives:

- BDC has enhanced its investment in female-run businesses and exceeded its three-year target of over \$700 million in term lending to majority women-owned companies. In addition, BDC has committed \$70 million in investment to help women running technology companies to raise capital: \$50 million in venture and growth capital, \$10 million for the Women's Venture Acceleration Program (WVAP), and \$10 million for regional initiatives such as with MaRS Investment Accelerator Fund; and
- The TCS Business Women in International Trade (BWIT) program, which provides targeted products and services to help women entrepreneurs take advantage of international opportunities in growing their businesses.

By way of example, the TCS has also implemented a strategic promotion of incoming visits of Canadian Ambassadors, High Commissioners and senior trade commissioners to visit every province and territory in Canada before March 31, 2018. These visits will allow the government to highlight the trade opportunities offered by CETA to interested audiences, including SMEs. As part of this CETA “Roadshow”, panels will include representatives of the EDC, Business Development Bank of Canada, and the Canadian Commercial Corporation. The Government endeavours to have representatives from the Business Women in Trade and Indigenous Business divisions of Global Affairs Canada present to meet one on one with SMES during the end of day Export Café.

As a further example, the Government of Canada through Global Affairs Canada is also piloting a CETA training program for trade commissioners and provincial partners. Depending on the success of this program, opportunities to partner with community colleges or other educational or trade institutions will be explored offering the Government course curriculum as a starting point.

CONCLUSION

NAFTA has enhanced economic growth across North America, and has allowed Canadian companies to be more competitive in the global marketplace. In the ongoing modernization of NAFTA, Canada will continue to uphold the elements of NAFTA that are key to our national economic interest, while advancing opportunities to make NAFTA more progressive and inclusive. The Government of Canada continues to engage in constructive dialogue with both Mexico and the United States to enhance the existing NAFTA in ways that would move the trilateral relationship forward, and allow North America to remain competitive in the global economy.