



TRADE POLICY REVIEW

REPORT BY

CANADA

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by Canada is attached.

Contents

1 CANADA IN THE GLOBAL TRADING SYSTEM	4
2 TRADE AND ECONOMIC ENVIRONMENT	4
2.1 Economic Overview.....	4
2.2 Canada as a Trading Nation	5
3 TRADE POLICY DEVELOPMENTS 2015-2019	6
3.1 Multilateral Trade Policy	6
3.1.1 Canada and the WTO	6
3.1.2 WTO Modernization	7
3.1.3 Ongoing WTO Negotiations and Initiatives.....	8
3.2 Supporting International Development	9
3.3 Bilateral and Regional Free Trade Agreements.....	10
3.3.1 New Trade Agreements	11
3.3.2 Modernized Free Trade Agreements	12
3.3.3 Ongoing Negotiations	13
3.4 Other Bilateral Initiatives.....	13
3.4.1 Foreign Investment Protection and Promotion Agreements (FIPAs)	13
3.4.2 Science and Technology and Innovation Agreements and Partnerships	14
3.4.3 Air Transport Agreements	14
3.5 Canada in Other Multinational Fora	14
3.5.1 The Group of Twenty (G20)	14
3.5.2 Asia-Pacific Economic Cooperation (APEC)	14
3.5.3 The Organization for Economic Co-operation and Development (OECD)	15
3.5.4 The World Wine Trade Group.....	15
3.5.5 The Food and Agriculture Organization of the United Nations (FAO) and the Inter-American Institute for Cooperation on Agriculture (IICA)	15
3.6 Dispute Settlement.....	15
4 OTHER KEY GOVERNMENT INITIATIVES.....	16
4.1 Canadian Free Trade Agreement (CFTA)	16
4.2 Intellectual Property (IP)	17
4.3 Cabinet Directive on Regulation.....	17
4.4 The Canadian Agricultural Partnership Policy Framework	17
4.5 Supply Management	17
4.6 Sanitary and Phytosanitary Initiatives	18
4.7 Canada's Enhanced Corporate Social Responsibility (CSR) Strategy	19
4.8 Changes to Canada's Trade Remedy Regime.....	19
4.9 Countermeasures on U.S. Steel and Aluminium Products.....	19
5 EXPORT DIVERSIFICATION AND TRADE PROMOTION	20
5.1 Export Diversification Strategy	20
5.2 Trade Commissioner Service	20
5.3 Investment Promotion.....	21

5.4	The International Education Strategy	22
5.5	Other Government of Canada Programmes and Strategies that Promote Exports	22
5.5.1	The Clean Growth Hub	22
5.5.2	Creative Export Strategy	22
5.5.3	Innovation and Skills Plan	22
5.6	Small-and Medium Sized Enterprises (SMEs).....	22
5.6.1	Background Information	22
6	INCLUSIVE TRADE.....	23
6.1	Consultations and Transparency	23
6.2	Advancing an Inclusive Approach in Trade Agreements	24
6.2.1	Trade and Environment	24
6.2.2	Trade and Labour	25
6.2.3	Trade and Gender	25
6.2.4	Trade and SMEs.....	26
6.2.5	Trade and Indigenous peoples	26
7	CONCLUSION.....	26

1 CANADA IN THE GLOBAL TRADING SYSTEM

1.1. Trade is essential to Canada's economy, with one in six Canadian jobs linked directly to exports. Canada is proud of the role that it has played in helping to build a global order based on the rule of law and an aspiration to free and more open trade. Unfortunately, the integrity of the global trading system, under which so many around the world have prospered, is currently facing unprecedented challenges. Growing concern that the benefits of trade have not been shared by all and that the existing rules no longer reflect an appropriate balance of rights and obligations has helped propel a rise in protectionism. This has taken the form of rising trade restrictive measures and unilateral actions that hinder and restrict international trade. Bilateral conflicts that give rise to unilaterally determined trade policies constitute a serious threat to a rules-based trade regime.

1.2. Open, trading nations, such as Canada, are most vulnerable to creeping protectionism and rising trade friction. Canada remains steadfastly committed to championing fair and predictable trade through the rules-based multilateral trading system, with the WTO at its core. Canada believes that more – not less – trade and investment is essential for global economic growth; we have a collective interest in open, rules-based trade to build prosperity and create jobs for our citizens.

1.3. Underpinning global trade tensions is a concern among many who see international trade as not living up to the promise of jobs, growth and prosperity. As stated in the Canadian Minister of Foreign Affairs' 2017 Foreign Policy Speech to the Parliament of Canada, there has been a growing crisis of confidence in globalization and liberalized trade. Canada therefore believes that pursuing an inclusive approach to trade – one that seeks to ensure that all segments of society can take advantage of the opportunities that flow from trade and investment – is required. This inclusive approach includes increased public engagement on trade policy; seeking provisions to protect and strengthen labour rights and the environment in trade agreements; advancing gender equality and women's empowerment; and, fostering opportunity for traditionally underrepresented groups, such as small- and medium-sized (SMEs) enterprises and Indigenous peoples, to engage in international trade.

2 TRADE AND ECONOMIC ENVIRONMENT

2.1. In 2015, at the time of Canada's last WTO Trade Policy Review (TPR), the global economic situation was quite uncertain. At that time, Canada's economic growth was particularly dampened by sharply declining oil prices, which reverberated throughout the economy. During the review period, the Government of Canada has made a concerted effort to address slower economic growth by making strategic investments in physical and social infrastructure, innovation, science and research, and skills and training. Together, these actions have boosted confidence and spending over the near term and are projected to raise the productive capacity of the Canadian economy over the long term.¹

2.1 Economic Overview

2.2. During the review period, Canada's global gross domestic product (GDP) ranking has remained steady. Canada was the world's 10th largest economy in 2017, as it was in 2015 and in 2016.² Canada has a high standard of living. In 2018, GDP per capita reached CAD 59,838 (approximately USD 46,182) in nominal terms.

2.3. The Canadian economy experienced robust growth in the second half of the review period. In 2017, the Canadian economy grew by 3.0%, the strongest pace since 2011 and the fastest pace among G7 countries. Canada's unemployment rate reached its lowest level in four decades in 2018. Since mid-2017, however, growth has moderated³, as the economy grew by 1.8% in 2018.

2.4. The strength of Canada's economy is fuelling growth in federal revenues, allowing the Government to respond to international developments (e.g. the recent United States tax reform), while keeping the debt-to-GDP ratio on a downward track and protecting the long-term fiscal

¹ Source: <https://www.fin.gc.ca/pub/ltefp-peblt/2018/report-rapport-eng.asp>. (Table 2)

² Source: World Bank indicators. For trade, information can be viewed at: http://stat.wto.org/CountryProfiles/CA_E.htm.

³ Source : IMF Canada: <https://www.imf.org/~media/Files/Publications/CR/2018/cr18221.ashx>.
(Page 42)

sustainability of Canada's economy. The deficit is projected to decline from CAD 19.6 billion in 2019-20 to CAD 11.4 billion by 2023-24. The federal debt-to-GDP ratio is projected to continuously decline and is expected to reach 28.5% in 2023-24.⁴ According to the International Monetary Fund (IMF), Canada's net-debt-to-GDP ratio is the lowest among G7 countries, less than one-third of the G7 average.⁵

2.5. Over the review period, monetary policy continued to provide stimulus in response to the global recession. The target for the overnight rate – the interest rate at which major financial institutions borrow and lend one-day funds among themselves – was lowered to 0.5% in 2015, to support the Canadian economy as it adjusted to the downturn in the oil and gas sector. The target for the overnight rate remained at 0.5% until 2017, when economic growth picked up strongly. The unemployment rate fell to a 44-year low in 2018. The Bank of Canada raised the target rate five times between July 2017 and October 2018, to its current (as of March 2019), still-accommodative, level of 1.75%.

2.2 Canada as a Trading Nation

2.6. Trade plays a critical role in the Canadian economy. Canada represents just 0.5% of the world's population but accounts for 2.4% (or approximately five times more) of global trade. Canada's economy is open, diversified, and sophisticated, with aggregate two-way commercial flows (imports plus exports) accounting for approximately 66% of GDP.⁶

2.7. In 2017, Canada was the 12th largest merchandise exporter and 12th largest merchandise importer in the world.⁷ Services also played an important role in the Canadian economy. Over the last four years, services have accounted for around 70% of Canada's GDP. In 2017, Canada ranked as the world's 18th largest commercial services exporter and the 14th largest commercial importer of services.

2.8. Foreign direct investment (FDI) continues to be an important channel of productivity, growth and innovation for Canada. In 2018, two-way direct investment flows amounted to CAD 116.7 billion. In 2018, the flow of Canadian outward investment fell by CAD 38.2 billion to CAD 65.4 billion, while foreign direct investment flows into Canada increased by CAD 19.1 billion to CAD 51.3 billion.

2.9. During the review period, the annual average Canadian dollar first depreciated relative to the U.S. dollar (USD) by 13.6% in 2015 and again by 3.5% in 2016, in response to the sharp decline in oil prices between 2014 and 2016. The value of the Canadian dollar reached a trough of USD 0.703 in January 2016, then appreciated to USD 0.814 in September 2017, reflecting the rapid recovery of the Canadian economy, before depreciating to USD 0.744 in December 2018. Nonetheless, the 2018 annual average exchange rate remained higher than the annual average from the previous three years, despite being 15% lower than the 2014 average. These changes to the value of the Canadian dollar have impacted trends in Canadian trade.

2.10. In 2015, export prices fell by 2.6% and export volumes rose by 3.5%, while import prices advanced 6.3% and import volumes increased by a small amount (0.8%). In 2016, import prices increased by a small amount, 0.4%, and volume remained stable at 0.5%, while export prices continued to decline by 0.8% and volumes increased by 0.5%. In 2017, as global economic conditions improved, exports rebounded with an increase in both prices (4.5%) and volumes (1.8%). Further, in 2017, strong household consumption supported a 4.1% increase in goods import volumes as goods import prices increased by 0.9%.⁸ The growing trend continued in 2018, as import prices (2.9%), import volumes (3.3%), export prices (3.6%) and export volumes (4.2%) all advanced.

⁴ Source: <https://fin.gc.ca/pub/ltfep-peblt/2018/report-rapport-eng.asp>. (Chart 4)

⁵ Source: IMF Fiscal Monitor Database, October 2018:

https://www.imf.org/external/datamapper/GGXWDN_G01_GDP_PT@FM/CAN/DEU/FRA/ITA/JPN/GBR/USA.

⁶ Statistics Canada: Gross domestic product, expenditure-based, Table 36-10-0222-01:

<https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610022201>.

⁷ WTO Data portal: data.wto.org, International trade statistics.

⁸ Statistics Canada table: 12-1909126-01. International merchandise trade. By commodity, price and volume indexes, annual. Calculations based on Laspeyres fixed weighted index.

2.11. Canadian exporters, particularly in manufacturing, have benefitted in recent years from the lower value of the Canadian dollar compared to major currencies such as the U.S dollar and the Euro. Canadian merchandise exports to the U.S., for example, grew by 5.1% in 2017 and 5.6% in 2018, recovering from declines in 2015 (-0.6%) and 2016 (-2.0%).

3 TRADE POLICY DEVELOPMENTS 2015-2019

3.1. In the face of global uncertainty on trade, and given the enormous importance of trade to its economy, Canada is pursuing a trade policy which is predicated on three, mutually reinforcing priorities: support for the rules-based system, which is the foundation of our trade policy; diversification of trade and investment to new exporters and new markets; and, championing inclusive trade, which seeks to ensure that more Canadians can take advantage of the opportunities that flow from trade and investment.

Support for the Rules-Based System

3.2. Trade has contributed to unprecedented global prosperity and development. In order to thrive, it requires a strong, rules-based system in which to operate. Canada is committed to upholding and actively participating in the rules-based multilateral trading system with the WTO at its core. This system is necessary for creating a predictable and fair economic environment in which businesses can thrive, which is essential to increasing the economic well-being of not just Canada, but of all WTO members, contributing to a more prosperous and stable world.

Diversification

3.3. Diversifying Canada's trade through multilateral trade liberalization and an ambitious bilateral and regional trade agenda is essential to the country's continued economic prosperity and competitiveness. To complement efforts to improve access to new markets, Canada has recently unveiled a new *Export Diversification Strategy*, with the goal of increasing overseas exports by 50% by 2025. Over the next five years, planned investments in services and programmes linked to the Strategy are valued at over CAD 280 million. Building on trade diversification initiatives already underway, the Strategy aims to ensure that Canadian businesses – of all sizes and sectors – experience the benefits of trade by capitalizing on more economic opportunities abroad, particularly in markets covered by Canada's newly implemented FTAs such as the *Comprehensive Economic and Trade Agreement between Canada and the European Union (CETA)* and the *Comprehensive and Progressive Agreement for the Trans Pacific Partnership (CPTPP)*.

Championing Inclusive Trade

3.4. Canada is advancing an inclusive approach to trade, informed by ongoing dialogue with a broad range of Canadians, which aims to align Canadian trade policy priorities with the interests of all its citizens in being able to benefit from trade. In its trade agreements, Canada is building on past achievements by improving labour and environment protections, and pursuing new and innovative provisions aimed at women, SMEs and Indigenous peoples. These provisions focus on cooperation and information sharing with the aim to improve the capacity and conditions for underrepresented groups to engage in and benefit from trade and investment opportunities.

3.5. All three of these mutually reinforcing trade policy priorities support Canada's overarching objective of fostering economic growth and creating good jobs, ultimately raising the standard of living for Canadians and Canada's trading partners.

3.1 Multilateral Trade Policy

3.1.1 Canada and the WTO

3.6. The WTO is an indispensable institution to upholding the multilateral trading system as it provides a forum to open markets and liberalize trade, create rules to provide for a predictable environment in which to operate, foster transparency, discuss issues and adjudicate disputes when they arise.

3.7. The global economy has undergone significant transformation since the WTO and its predecessor agreements were first formed, including the emergence of new economic powerhouses and technological change. Rising protectionism has in turn begun to erode respect and confidence for the rules-based trading system. These pressures have exacerbated existing differences among WTO members in their need, capacity or willingness to take on new commitments, and the rules and institutions that facilitate trade seem increasingly fragile.

3.8. The WTO is currently facing challenges on a number of fronts. The first core function, the monitoring, implementation and administration of existing rules and commitments, has been affected by escalating trade tensions between the larger economies and the low compliance rate of some members with their notification obligations. This diminishes the ability of commerce to function within a more predictable environment, as well as the ability of members to try to address compliance problems. The second core function, the dispute settlement system, continues to struggle to keep up with demand, in part because of increasing length and complexity of cases being brought forward, and the block by the U.S. of new appointments to the Appellate Body. Canada is concerned that this has undermined the system's accessibility, creating incentives for short-term trade-distorting measures and unilateral counter-measures. With respect to the third core function of negotiations, the WTO for some time has only been able to deliver limited results, and this has decreased stakeholders' confidence in the WTO's ability to stay relevant. For these reasons, there is now broad consensus among WTO members to look at ways to strengthen and modernize the WTO.

3.1.2 WTO Modernization

3.9. Canada believes the WTO must remain relevant and responsive to the global trade environment, which has substantially evolved since its inception in order to continue to provide a platform for economic growth through trade. In this context, Canada is deeply committed to WTO reform, and has convened a small group of likeminded and representative WTO members known as the "Ottawa Group", to identify pragmatic ideas aimed at enhancing and improving the WTO over the short, medium and long term. In doing so, Canada intended to undertake a ground-up approach that would spark discussion and catalyse momentum on issues that would enjoy the broadest support by WTO members. In the same vein, the group's discussions are also intended to complement reform efforts by other WTO members.

3.10. After circulating a working paper on WTO reform in September 2018 to all WTO members, Canada hosted the first ministerial meeting of the Ottawa Group on 24-25 October 2018. The joint communiqué from this meeting delivered a clear message of support for the rules-based multilateral trading system and identified the common goal of taking urgent action to strengthen the WTO. The communiqué identified three areas requiring pressing consideration: 1) improving the efficiency and effectiveness of the WTO's monitoring and transparency function; 2) safeguarding the WTO's dispute settlement system; and, 3) reinvigorating the negotiating function of the WTO.

3.11. Since the first ministerial meeting, momentum continued to build around the need for WTO reform and gained particular attention in the international community. G20 Leaders supported WTO reform through their joint statement in November 2018, indicating that Leaders would review progress on the topic at their next Summit in 2019. In January 2019, Canada sought to advance WTO reform discussions by circulating a second working paper to WTO members that focussed on improving and strengthening the ways WTO committees function, with a view to making a tangible difference for the operation and transparency of the WTO. This paper was a key topic of the second ministerial-level small group meeting that Canada convened, on the margins of the World Economic Forum Annual General Meeting in Davos, Switzerland. Ministers agreed on the following: support for the WTO's General Council process on safeguarding and strengthening the WTO dispute settlement mechanism; the need for progress on other issues such as fish subsidies negotiations and plurilateral discussions on e-commerce as a way to restore confidence in the WTO's negotiating function; and, the need to explore how the development dimension can be best pursued in rule-making efforts. The joint communiqué from Ministers also launched open-ended consultations with interested WTO members to identify ideas and proposals to improve the deliberative function of WTO bodies. The Group is expected to meet again later in 2019 to take stock of progress.

3.12. Canada, along with other Members of the Ottawa Group, continues to urge all WTO Members to work towards addressing market distortions caused by subsidies and other instruments. Canada also supports the development of stronger international rules on market-distorting industrial

subsidies and will continue its efforts to that end in appropriate fora such as the WTO. A longstanding interest for Canada at the WTO is to address market distorting agricultural subsidies.

3.1.3 Ongoing WTO Negotiations and Initiatives

3.13. Canada is also actively engaged in a number of plurilateral and multilateral initiatives at the WTO.

- (a) WTO Joint Statement Initiatives: Following the *11th WTO Ministerial Conference (MC11)* on 13 December 2017, which concluded without a formal declaration or new substantive outcomes, Canada and other like-minded countries issued several joint statements covering e-commerce, better integration of micro, small- and medium-sized enterprises (MSMEs) in international trade, and investment facilitation. These plurilateral initiatives are intended to reorient the Organization's work beyond longstanding Doha Development Round issues and, if successful, could be multilateralized within the WTO framework.
- i. E-Commerce: Canada welcomes the recent 2019 Davos joint ministerial statement which announced the intention to commence WTO negotiations on trade-related aspects of e-commerce. Canada believes e-commerce provides new ways of doing business, creates opportunities and can foster remarkable new efficiencies for companies. It is also central to Canada's work to elevate SMEs through trade policy, as e-commerce gives SMEs access to much wider geographical markets, and for consumers around the globe it provides the benefits of increased competition and product choice.
 - ii. WTO Investment Facilitation: Canada is an active participant in the WTO *Structured Discussions on Investment Facilitation for Development*. Foreign direct investment is an essential driver of capital formation, particularly for developing and least-developed Members. A multilateral framework on investment facilitation could provide a roadmap for creating a transparent, efficient and predictable environment for cross-border investment.
 - iii. Micro, Small, and Medium-Sized Enterprise (MSMEs): Canada is an active participant in the WTO's Informal Working Group on MSMEs. Through this group, like-minded members are working to identify ways to increase the participation of MSMEs in international trade. Canada views this issue in a cross-cutting manner, and believes our collective effort to strengthen the WTO, including efforts to improve transparency among members or to reduce trading costs, has the potential to help MSMEs, which is an important component of making trade more inclusive.
- (b) WTO Fisheries Subsidies Negotiations: On fisheries subsidies negotiations, Canada is supportive of the work programme that has been established for the first half of 2019, as it is in line with the United Nations' *Sustainable Development Goal 14.6*⁹, where all UN member states, including Canada, committed to prohibit certain forms of fisheries subsidies that contribute to overcapacity and overfishing; eliminate subsidies that contribute to illegal, unreported and unregulated fishing; and refrain from introducing new such subsidies. Canada welcomes the Chair's strategy to shift to bilateral and open-ended consultations and expects that it will act as a further catalyst for advancing negotiations in order to achieve a comprehensive and effective agreement in 2019.
- (c) WTO Agriculture Negotiations: With regard to agriculture, Canada's priority remains the development of stronger disciplines on trade- and production-distorting domestic support. To help advance discussions in this area, Canada has been active in leading technical discussions by preparing analytical papers and presentations on how the global agriculture trade landscape has evolved since 2001. In particular, in July 2018, Canada circulated a technical paper on domestic support in the Agreement on Agriculture with some members of the Cairns Group and presented the findings from this paper in September 2018. This presentation provided a factual analysis of how domestic support has evolved since 2001 for the largest traders and subsidizers. Then, in November 2018, Canada, along with co-sponsors, circulated an analytical paper illustrating the changing landscape and issues

⁹ Source: <https://sustainabledevelopment.un.org/sdg14>.

regarding the use of trade distorting product-specific support as notified by Members. Finally, to enable Members to undertake analysis on domestic support in agriculture, Canada circulated a comprehensive database covering all WTO Members that notified domestic support since 2001. The objective with this analytical tool is to allow Members to undertake analysis on key issues in domestic support in order to enhance understanding of issues in agriculture domestic support with a view to advancing agriculture negotiations at the WTO.

- (d) WTO Information Technology Agreement (ITA): Canada has been a participant to the *Ministerial Declaration on Trade in Information Technology Products* (also known as the ITA) since its signature at the 1996 Singapore Ministerial Conference. Canada is also a participant in the ITA expansion, which concluded in December 2015 and was implemented by Canada on 1 July 2016. Canada continues to be an active player in promoting the importance of the ITA expansion, including in the context of Asia-Pacific Economic Cooperation (APEC), as well as through chairing the informal group of ITA expansion participants at the WTO, which focuses on effective implementation of the Agreement.
- (e) Environmental Goods Agreement: Canada is one of 18 WTO members that were participating in negotiations towards a plurilateral *Environmental Goods Agreement*. Canada remains ready to re-commence negotiations toward an ambitious agreement that would eliminate tariffs on a broad range of environmental goods and help facilitate the achievement of WTO members' green growth objectives.

Advancing women's empowerment

3.14. Further, Canada is active in the multilateral context to address inclusive trade objectives as well, as demonstrated by its leadership with respect to the *Buenos Aires Declaration on Women's Economic Empowerment*, agreed to by 123 WTO Members. As a cross-cutting issue, gender considerations must be taken into account in all facets of trade. Improving the responsiveness of the multilateral trading system to gender considerations is important in order to create more inclusive trade and to help ensure that the benefits of trade are more widely shared. As an example of progress at the WTO in this area, Canada has taken a leading role in the implementation of the *Buenos Aires Declaration*, hosting the first workshop held under the auspices of the Declaration, on trade and gender-based analysis, in March 2018. Canada continues to actively engage in the implementation of the *Buenos Aires Declaration*.

3.15. Through active participation in the WTO, particularly by taking a leadership role in key areas including modernization and reform, Canada is demonstrating its strong commitment to upholding the rules-based international trading system.

3.2 Supporting International Development

3.16. Canada recognizes the important role of trade in stimulating economic growth and promoting sustainable development. Canada remains engaged in discussions on trade and development, which can offer an opportunity to increase economic prosperity for all WTO members, particularly for developing countries, by enhancing predictability in the multilateral trading system through the strengthening of international rules. Although the broader Doha Development Agenda negotiations have been at an impasse since 2011, Canada continues to work with fellow WTO members to implement new WTO agreements, such as the *Trade Facilitation Agreement*, and to address the concerns of developing countries about taking on new commitments. Canada supports international development through trade in a variety of ways, including by supporting trade facilitation; "Aid for Trade" and capacity building initiatives; as well as special and differential treatment recognizing the needs of least developed countries (LDCs); and, adopting the LDC Tariff.

- (a) Trade Facilitation: Canada coordinates trade development assistance through its partnership with the *Trade Facilitation Office Canada*, which facilitates access to the Canadian marketplace and shares Canadian trade expertise for the benefit of smaller exporters in developing countries. Canada is an active supporter of new funding mechanisms that encourage more innovative and cost-effective private- and voluntary-sector solutions to trade-related development assistance. One example is as a founding donor to the *Global Alliance for Trade Facilitation*, which leverages private sector expertise and resources, allowing for the strengthening of local capacity and engagement in public-private dialogue.

- (b) Aid for Trade: Canada has established programmes that support the development of an enabling environment in partner countries, strengthening trade-readiness and competitiveness. Canada's "Aid for Trade" commitments include those at the multilateral level (e.g., the *International Trade Centre*, the *Canadian Trade and Investment Facility for Development*); at the regional level (e.g., *Pan-Africa Regional Development Program*); at the bilateral country level through individualized programming activities; and, at the level of civil society and through innovative public-private partnerships (such as the *Global Alliance for Trade Facilitation*). Since 2015-16, Canada has increased aid for trade funding, contributing in excess of CAD 1.5 billion¹⁰ to "Aid for Trade" projects through all channels over the last three years.
- (c) Capacity Building: In October 2018, Canada launched the *Expert Deployment Mechanism for Trade and Development*. The seven-year (2018-2025) initiative is a global facility that responds to requests for technical assistance from developing countries to better negotiate, implement, adapt to and benefit from trade and investment agreements with Canada.
- (d) Recognizing the Needs of Least Developed Countries: Canada continues to support the WTO's efforts to explicitly recognize the needs, interests and concerns of LDCs. Canada remains a strong supporter of the 2002 WTO General Council decision to facilitate LDC accessions to the WTO. Canada has also had a preferential tariff for LDCs in place since 1983. This unilateral tariff preference for LDCs was renewed in 2013 until 31 December 2024. It covers 98.6% of all tariff lines for 49 of the world's LDCs and is among the most far-reaching in terms of eligible countries, product coverage, rules of origin and ease of administration. Beyond duty-free, quota-free access, the rules of origin that Canada applies to LDC imports are among the most liberal in the world. On 20 June 2017, Canada implemented changes to those rules of origin to allow more apparel products to qualify for duty-free treatment when imported into Canada. Canada has also made revised preferential treatment available to services and services suppliers of LDCs since 2015.

3.3 Bilateral and Regional Free Trade Agreements

3.17. Canada continues to make significant efforts to diversify its trade, with the aim of allowing exporters to take advantage of opportunities in large and emerging markets. Bilateral and regional FTAs have represented a key tool for Canada in pursuit of trade diversification. As of March 2019, Canada had 14 FTAs in force with 51 countries, representing two-thirds of the global economy: the U.S. and Mexico (NAFTA, 1994); Israel (1997); Chile (1997); Costa Rica (2002); the European Free Trade Association (2009); Peru (2009); Colombia (2011); Jordan (2012); Panama (2013); Honduras (2014); Republic of Korea (2015); Ukraine (2017); the European Union (provisionally applied since 2017); and the CPTPP (2018). Following the entry into force of the CPTPP for Canada on 30 December 2018, Canada became the only Group of Seven (G7) country to have FTAs with every other member of the G7, connecting Canadian businesses to over 1.5 billion of the world's consumers.

3.18. Notably, Canada signed and implemented two comprehensive regional agreements since its last review in 2015: the CETA, with the European Union, and the CPTPP with ten other Pacific economies; as well as one bilateral FTA with Ukraine. Canada has also dedicated efforts to modernize several of its existing FTAs (NAFTA/CUSMA, Canada-Chile FTA, Canada-Israel FTA), in order to update existing provisions and add new elements to bring these agreements in line with Canada's more recent agreements. Canada is currently engaged in negotiations for FTAs with Mercosur, the Pacific Alliance (PA) and India and has held FTA exploratory discussions with ASEAN and China.

3.19. Canada's active FTA agenda is a reflection of the importance that it places on free trade and creating opportunities for Canadian business to expand into international markets. Canada's aim in negotiating agreements is to establish high quality, ambitious and comprehensive FTAs through improved market access and rules, benefiting companies of all sizes in a diverse range of markets.

¹⁰ Source: Please download PDF document at:
https://www.wto.org/english/tratop_e/devel_e/a4t_e/gr17_e/gr17programme_e.htm.

3.3.1 New Trade Agreements

Canada-EU Comprehensive Economic and Trade Agreement (CETA)

3.20. On 21 September 2017, the Canada-EU CETA entered into provisional application, with full entry into force pending ratification by all EU member States. CETA is an ambitious and inclusive trade agreement covering virtually all sectors and aspects of Canada-EU trade, opening new markets in the EU for Canadian exporters and generating benefits for all Canadians. Beyond increased market access, CETA fosters inclusive growth, advances higher standards of living, promotes labour rights and ensures strong environmental protections. CETA includes many significant and innovative achievements – for example, it represents the first bilateral trade agreement in which Canada has included a standalone chapter on regulatory cooperation, which promotes early engagement as measures are being developed. CETA is also the first agreement that includes a protocol on conformity assessment that will allow Canadian manufacturers in certain sectors to have their products tested and certified in Canada for sale in the EU; as well as a detailed framework for the mutual recognition of professional qualifications, a key aspect of labour mobility.

3.21. In the first nine months following CETA provisional application, Canada's merchandise exports to the EU increased by 4.4% compared to the same period a year earlier. In general, products that benefited from the largest decline in EU tariffs as a result of CETA also saw the largest trade gains: EU imports of Canadian products subject to a 5% and 10% tariff rate decline saw imports rise by 26.9%, compared to imports of products without tariff reductions which fell by 3.6%.¹¹

3.22. Some provisions of CETA will only enter into force after ratification by all EU member States, including the investor state dispute settlement (ISDS) mechanism between investors and states, some provisions in the Financial Services chapter related to portfolio investment, and the ISDS mechanism for investment disputes in financial services. Meanwhile, the current level of protection for Canadian investors is maintained.

Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)

3.23. On 8 March 2018, Canada and 10 other countries - Australia, Brunei, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Viet Nam - signed the CPTPP, which entered into force for Canada and five other countries¹² on 30 December 2018. The Agreement subsequently entered into force for Viet Nam on 14 January 2019, and will enter into force for Peru, Chile, Malaysia and Brunei 60 days after the country ratifies the Agreement. Once fully implemented, the CPTPP will create a trading bloc representing nearly 500 million people and approximately 13.5% of global GDP.

3.24. The CPTPP is a 21st century agreement that establishes a new global standard for trade policy rules and market access commitments. The agreement's ambitious outcomes for tariff elimination on goods and market access for trade in services and government procurement reinforces Canada's commitment to high levels of trade liberalisation and the fundamental principles of an open and rules-based international trading system. The CPTPP also covers areas beyond the scope of traditional FTAs, including chapters to address concerns about non-market behaviour by state-owned enterprises and provisions to ensure high levels of protection for labour rights and the environment, backed by enforceable dispute settlement. As a result, the agreement stands to serve as a model for future FTAs in the Asia-Pacific region and beyond.

3.25. The CPTPP is also designed for future growth and contains provisions for possible expansion of the agreement through the accession of new economies. The accession of new members to the CPTPP would encourage the further adoption of modern trade policy rules, building regional economic integration and participation in global value chains and strengthening the open, rules-based trading system. Accessions will also facilitate the diversification of Canadian trade and investment relations with the Asia-Pacific region.

¹¹ Source: https://www.international.gc.ca/gac-amc/campaign-campagne/ceta-aecg/year_one-premiere_annee.aspx?lang=eng. (Section: Tariff reduction and EU imports from Canada), based on the first nine months of CETA.

¹² The CPTPP entered into force for Japan, Australia, New Zealand, Mexico, and Singapore on 30 December 2018 and for Viet Nam on 14 January 2019.

Canada-Ukraine Free Trade Agreement (CUFTA)

3.26. CUFTA entered into force on 1 August 2017. Upon entry into force, Canada eliminated duties on 99.9% of imports from Ukraine. Similarly, Ukraine immediately eliminated tariffs on approximately 86% of Canada's exports, with the balance of tariff concessions to be implemented over seven years. CUFTA also includes mechanisms to address a range of other non-tariff barriers to trade, such as sanitary and phytosanitary measures and technical barriers to trade, thereby benefiting both Canadian and Ukrainian exporters and consumers. CUFTA reinforces Canada's broader bilateral engagement in Ukraine, including the promotion of its sustainable economic growth.

3.3.2 Modernized Free Trade Agreements

3.27. Canada has sometimes found it necessary to update and modernize its FTAs over time in order to align those agreements with its more recent FTAs and the changing economy. During the review period, Canada successfully modernized three of its existing FTAs, one of which (Canada-Chile) has subsequently entered into force.

Canada-United States-Mexico Agreement (CUSMA)

3.28. On 30 November 2018, Canada, the U.S. and Mexico signed the CUSMA, which will replace the North American Free Trade Agreement (NAFTA) once it enters into force. The CUSMA preserves important NAFTA provisions and market access into the U.S. and Mexico; modernizes and improves on the agreement; and, reinforces the security and stability of market access into the U.S. and Mexico for Canadian businesses.

3.29. Importantly, the NAFTA tariff outcomes have been carried forward into the CUSMA, ensuring continued duty-free access into the U.S. and Mexican markets for originating goods. In some cases, the rules of origin for originating goods have been strengthened, in particular for autos – where the regional value content levels were increased from 62.5% to 75%. Other important elements for Canada that were carried forward include the cultural exception, temporary entry for business persons provisions, state-to-state dispute settlement and the binational panel dispute settlement mechanism for anti-dumping and countervailing duty matters.

3.30. In respect of modernization, the CUSMA includes improved disciplines for trade in goods and agriculture, including with respect to customs administration and procedures; technical barriers to trade, and sanitary and phytosanitary measures, as well as a new chapter on good regulatory practices. For example, the "Good Regulatory Practices" chapter sets out specific obligations and practices relating to the planning, design, issuance, implementation, and review of the Parties' respective regulations. Once implemented, the chapter will also establish mechanisms to encourage and facilitate regulatory compatibility and cooperation. Additionally, obligations related to trade facilitation and customs procedures have been modernized for the 21st century to better facilitate cross-border trade, including through the use of electronic processes which will reduce red tape for exporters and lower the cost of doing business.

3.31. Canada is now following its domestic processes towards the timely ratification and implementation of the Agreement with a view to strengthening our commercial relationship with the United States and Mexico and providing important stability and predictability for Canadian businesses and workers.

Canada-Chile Free Trade Agreement (CCFTA)

3.32. The CCFTA first came into force on 5 July 1997, covering trade in goods, services, and investment. Since its entry into force, the Agreement has been modernized several times. Most recently, on 5 February 2019, an Amending Agreement to the CCFTA entered into force, adding new chapters on sanitary and phytosanitary measures, technical barriers to trade, and gender; and made improvements to existing chapters on government procurement and investment. Notably, this agreement represents a historic achievement for Canada – the first time that a Canadian FTA has included a stand-alone chapter on trade and gender, and a reflection of the importance Canada and Chile place on advancing gender equality and ensuring that women workers and entrepreneurs share in the benefits of the FTA.

Canada-Israel Free Trade Agreement (CIFTA)

3.33. CIFTA entered into force on 1 January 1997, covering trade in goods. CIFTA was modernized between 2015 and 2018 to include four updated chapters (rules of origin, dispute settlement, goods market access and administration of the agreement) and nine new chapters (trade facilitation, e-commerce, intellectual property, technical barriers to trade, sanitary and phytosanitary measures, labour, environment, trade and gender, and small and medium enterprises). The modernized CIFTA was signed by Canada and Israel on 28 May 2018, in Montreal. Ratification was pending as of March 2019.

3.3.3 Ongoing Negotiations

Canada-Mercosur

3.34. Canada and Mercosur launched negotiations toward a comprehensive and inclusive free trade agreement in March 2018. With a collective GDP of over CAD 3.6 trillion, and a population of 262 million in 2017¹³, the Mercosur countries of Argentina, Brazil, Paraguay and Uruguay represent an opportunity for Canada to grow its economic footprint in South America.

Canada-Pacific Alliance

3.35. In June 2017, the Pacific Alliance (a regional integration initiative created by Chile, Colombia, Mexico, and Peru) invited Canada to become an Associated State, which requires the negotiation of an FTA with the Pacific Alliance. Negotiations were launched on 22 October 2017, and seven negotiating rounds have taken place as of February 2019. Canada's objective for these negotiations is to strengthen and streamline its existing FTAs with the Pacific Alliance countries and the CPTPP (with three of the four Pacific Alliance countries).

Canada-India Comprehensive Economic Partnership Agreement

3.36. Canada and India launched negotiations toward a Canada-India Comprehensive Economic Partnership Agreement in November 2010. Ten rounds of negotiations have been held to date.

3.4 Other Bilateral Initiatives

3.4.1 Foreign Investment Protection and Promotion Agreements (FIPAs)

3.37. In addition to including investment chapters in its FTAs, Canada negotiates stand-alone investment treaties, referred to as FIPAs, which are aimed at protecting and promoting foreign investment between Parties through legally binding rights and obligations. During the review period, Canada brought nine FIPAs into force, with Burkina Faso, Cameroon, Côte d'Ivoire, Guinea, Hong Kong China, Kosovo, Mali, Mongolia, and Serbia.

3.38. Canada's approach to FIPAs improves transparency and predictability, and offers protection for investors by incorporating the following key features: a broad definition of investment; obligations for national treatment and most-favoured nation treatment applied at both the pre- and post-establishment phase; minimum standard of treatment in accordance with international law; protection against expropriation without compensation; free transfers of investment-related funds; disciplines on performance requirements; and, investor-state and state-state dispute settlement mechanisms. Recent agreements have also included provisions clarifying the right to regulate in the public interest, including the maintenance of health, safety, and environmental measures; and, encouraging the adoption of corporate social responsibility principles. Moreover, recent FIPAs also include expanded articles on the settlement of disputes between an investor and the Host Party, including provisions on the mediation of disputes.

¹³ Source: IMF, World Economic Outlook Database, October 2018: <https://www.imf.org/external/pubs/ft/weo/2018/02/weodata/index.aspx>.

3.39. In 2018, the Government of Canada launched public consultations on how to make its FIPAs more inclusive, transparent and accountable. Based on the feedback received to date, which included more than 350 submissions, Canada is currently in the process of modernizing its FIPA model in order to incorporate new provisions to ensure that all Canadians (e.g., women, Indigenous peoples and SMEs), are able to benefit from Canada's FIPAs. This review is expected to be completed in the first half of 2019.

3.4.2 Science and Technology and Innovation Agreements and Partnerships

3.40. Canada has nine treaty-level bilateral *Science, Technology and Innovation Agreements* with France, Germany, Japan, Israel, the EU, India, Brazil, China and South Korea, as well as several non-treaty memoranda of understanding and arrangements. Ten of these bilateral instruments (with India, China, South Korea, Japan, Brazil, Israel, Germany, France, the United Kingdom, and the EU) have established joint committee structures to facilitate bilateral collaboration in innovation and research and development among federal, provincial, academic and private sector stakeholders. In 2017-18, Canada facilitated 125 international research and innovation partnerships.

3.4.3 Air Transport Agreements

3.41. Since the inception of its Blue Sky policy in 2006, Canada has concluded new or expanded Air Transport Agreements covering over 105 countries. During the review period, Canada concluded expanded agreements with numerous markets, including Algeria, Australia, The Bahamas, Côte d'Ivoire, Ethiopia, Israel, Mexico, Morocco, Qatar, the United Arab Emirates, Egypt, Thailand, and South Africa. First-time agreements were also concluded with Antigua and Barbuda, Belize, Benin, Cameroon, Guinea, Mauritius, Mongolia, the Seychelles, Sri Lanka, St. Lucia, St. Vincent and the Grenadines, and Tanzania.

3.42. Air Transport Agreements play a critical role in facilitating and enabling international trade and investment, global value chain (GVC) connectivity and people-to-people links, allowing for direct air links for students, tourists, and business people. They are a key enabler to the various FTAs that Canada has negotiated with partners throughout the world.

3.5 Canada in Other Multinational Fora

3.43. Outside of the WTO, Canada actively promotes enhancing the rules-based trading system through various multilateral fora.

3.5.1 The Group of Twenty (G20)

3.44. Canada supports the G20's continuing work to promote and strengthen an inclusive international trade system that contributes to sustainable and shared growth. The *G20 Trade and Investment Working Group*, created in 2015, promotes strengthening consensus on the importance of open, predictable and rules-based trade, including consensus toward safeguarding and strengthening the rules-based system through WTO reform. Since its inception, Canada has been an active participant and has made significant contributions to the group.

3.45. Canada is committed to addressing market distortions caused by subsidies, including those that can contribute to excess capacity. For example, Canada is involved in the *Global Forum on Steel Excess Capacity (GFSEC)*. This forum, established by Leaders at the September 2016 G20 Hangzhou Summit, is working to identify market-distorting subsidies and other types of support in order to develop concrete policy solutions to reduce excess capacity in the steel sector. The GFSEC reported to G20 ministers in September 2018 and its work will continue in 2019. Canada has been among the most transparent of members in providing steel support information and encourages full transparency by all participants so that a complete picture of support to the global sector can be established.

3.5.2 Asia-Pacific Economic Cooperation (APEC)

3.46. Canada continues to support APEC in its goal of moving toward free and open trade and investment in the Asia-Pacific region, including the eventual realization of the Free Trade Area of the Asia-Pacific (FTAAP). In 1994, APEC leaders committed to the Bogor Goals, with

the objective of achieving free and open trade and investment by 2010 for industrialized economies, and by 2020 for developing economies. Canada has contributed to reaching APEC's Bogor Goals through reducing tariffs; modernizing intellectual property laws regarding copyright, trademarks and intellectual property enforcement; and, cooperating with several APEC members on standards-related initiatives. Canada is also playing an active role in the ongoing efforts to define APEC's mandate past 2020, when the Bogor Goals will expire.

3.5.3 The Organization for Economic Co-operation and Development (OECD)

3.47. Canada actively supports the OECD's advocacy of open markets as a structural driver of economic growth and employment. Canada is actively engaged in the *OECD Trade, Investment and Steel Committees*, *OECD Working Party on Export Credits and Credit Guarantees*, and has encouraged the Organization's collaboration with the G20. Recent developments of note include developing policy recommendations on GVCs, services, trade and gender, trade facilitation and trade distortive support to the aluminum sector.

3.48. Canada contributes to the technical and analytical efforts lead jointly by the OECD and WTO on measuring trade in value-added (TiVA) terms, particularly in the area of gender. Canada supports upcoming OECD work that will match TiVA with demographic data to better understand, for example, female entrepreneurs' and employees' indirect participation in GVCs. Canada also contributed to the design and completion of the *OECD's Services Trade Restrictiveness Index*, which demonstrates that services trade barriers reduce trade and investment while impairing competitiveness along value chains. Canada also supports the development of *OECD Trade Facilitation Indicators* to help improve border procedures.

3.5.4 The World Wine Trade Group

3.49. Canada continues to be active as a member of the *World Wine Trade Group* – an informal group of wine producing countries that meet twice yearly on issues related to wine trade. Canada has been a member of the *World Wine Trade Group* since its inception in 1996.

3.5.5 The Food and Agriculture Organization of the United Nations (FAO) and the Inter-American Institute for Cooperation on Agriculture (IICA)

3.50. Canada provides contributions to the FAO and to the IICA to fund projects that help developing countries adopt science-based approaches to regulate agri-food trade and for building countries' capacities to adopt and comply with standards agreed to at the WTO. Canada continues to advocate that these institutions help countries comply with WTO standards and build their capacities to be stronger participants in WTO discussions.

3.6 Dispute Settlement

3.51. Canada views the ability to resolve trade disputes through binding dispute settlement as a core function of the WTO. During the review period, Canada brought forward five disputes to the WTO Dispute Settlement Body (DSB), defended itself in five disputes, and was involved as a third party in 46 disputes.¹⁴

3.52. Canada continues to seek improvements to the dispute settlement system to make it more effective and efficient for all members, including through an active participation in the work of the DSB in Special Session. As well, in 2016, Canada spearheaded efforts to launch a mechanism for developing, documenting and sharing practices and procedures in the conduct of WTO disputes. Such a voluntary mechanism is meant to make incremental and practical improvements to the dispute settlement system for endorsement by WTO members, 20 of whom have endorsed to date.

3.53. As a strong supporter of the rules-based multilateral trading system, Canada is particularly concerned by the impasse over the appointment of Appellate Body members. In this regard, Canada is committed to working with other interested Members to expeditiously develop solutions to ensure an effective and enforceable dispute settlement mechanism and co-sponsored several proposals

¹⁴ Disputes include only the ones where a panel was established post 1 January 2015.

during the review period, including an EU proposal set out in document WT/GC/W/752 and a joint Australia-Singapore proposal set out in document WT/GC/W/754.

4 OTHER KEY GOVERNMENT INITIATIVES

4.1 Canadian Free Trade Agreement (CFTA)

4.1. The *Canadian Free Trade Agreement* (CFTA), which serves as Canada's primary framework agreement for internal trade, entered into force on July 2017. The CFTA replaced the longstanding *Agreement on Internal Trade*, which had covered Canada's internal trade since 1995. The CFTA addresses key impediments to internal trade within Canada, unlocking more of Canada's economic potential. Parties to the CFTA include Canada's federal government, ten provinces and three territories. Internal trade represents roughly one-fifth of Canada's annual GDP, or the equivalent of around CAD 385 billion per year.¹⁵

4.2. The CFTA has two main objectives: 1) to reduce and eliminate, to the extent possible, barriers to the free movement of persons, goods, services, and investments within Canada; and, 2) to establish an open, efficient, and stable domestic market. The CFTA brings about changes to internal trade with the aim of improving the alignment of domestic rules and regulations; and increasing competitiveness, support of innovation, and expansion of business opportunities for Canadian suppliers to government. The CFTA seeks to align domestic trade rules with those of Canada's international trade agreements, and covers almost all economic activities, notably covering both the energy sector and most of the services sectors. The CFTA helps create the right conditions to expand domestic business investment and attract foreign direct investment.

4.3. The CFTA includes specific provisions that are targeted to trade in goods, services, investment, monopolies and government enterprises (commercial activity) and incentives. These rules generally prohibit overly-burdensome regulation, discriminatory treatment, and unjust restrictions on trade for the specific subject matter to which they apply.

4.4. The CFTA includes chapters on Government Procurement, Environmental Protection and Labour Mobility that, among other things, promote open procurement practices, recognize that environmental protection and trade can be mutually supportive, and eliminate or reduce measures that restrict or impair labour mobility within Canada.

4.5. The CFTA deepens the coverage on government procurement by expanding the scope of government entities. For example, for the first time, the energy sector and many energy utilities are covered by open procurement rules. The CFTA also commits Parties to establish new independent bid protest mechanisms in each jurisdiction. For the Government of Canada, procurement complaints will continue to be heard by the *Canadian International Trade Tribunal*. Parties have also agreed to post tender notices to a single point of access, in line with Canada's commitments in CETA, once such a point of access is available by 2022 and adapted for use for the purposes of the CFTA.

4.6. Under the CFTA, Parties have also established significant new regulatory notification, reconciliation, and cooperation mechanisms. Under these rules, Parties must notify and consult in respect of proposed regulations (or modifications to regulations) that may have a significant effect on internal investment or trade in goods or services. To oversee the CFTA's regulatory reconciliation and cooperation mechanisms, the *Regulatory Reconciliation and Cooperation Table* (RCT) was established. The RCT developed its first annual work plan in 2018¹⁶, which is publicly available online and a number of items on that work plan have already been completed.

4.7. While considerable progress has been made in reducing internal barriers through the CFTA, a number of measures remain in place that can impede trade in goods and services, investment and labour mobility within Canada, including in sectors such as transport, occupational health and safety. A number of committees and working groups have been established under the CFTA to address these remaining barriers, such as the RCT. Parties have also committed to future negotiations to

¹⁵ Canadian Free Trade Agreement, CFTA General Backgrounders: <https://www.cfta-alec.ca>

¹⁶ Source: <https://www.cfta-alec.ca/wp-content/uploads/2018/07/RCT-2018-2019-Work-Plan-List-of-Measures-Final-July-20-2018.pdf>.

incorporate rules applicable to financial services, which account for roughly 6% of Canada's total GDP, into the CFTA.

4.2 Intellectual Property (IP)

4.8. Reflective of Canada's commitment to maintaining a sound and efficient intellectual property (IP) regime that is conducive to innovation, investment, and economic growth, since 2015, Canada has updated all its key IP statutes, including the *Patent Act*, *Copyright Act*, *Trade-marks Act*, *Industrial Design Act*, and *Plant Breeders' Rights Act*.

4.9. Most recently, a number of legislative amendments were passed by Canada's Parliament to advance the Government's *Intellectual Property Strategy*, including amendments that improve efficiency, clarify acceptable practices and prevent misuses of IP rights. These amendments include the establishment of minimum requirements for patent demand letters, to discourage the sending of deceptive and/or vague letters and to ensure a balance between using demand letters as a low-cost method to assert a patent right and discouraging bad behaviour.

4.10. Other amendments are designed to protect consumers, by excluding settlement demands from Canada's copyright "notice and notice" regime; and, to prevent the cluttering and misuse of the trademark regime, by reinforcing the importance of use, through a new bad-faith trademark opposition and cancellation ground and a use requirement for the enforcement of trademark rights within the first three years after registration. Finally, the amendments reformed the *Copyright Board of Canada* to ensure that its decisions are rendered faster and with more certainty while continuing to protect the public interest.

4.11. Canada has extended the term of copyright protection for published sound recordings; granted IP agents a statutory privilege for confidential communications with clients; introduced supplementary protection for patents relating to pharmaceutical products; and expanded its open, transparent and effective regime for the protection of geographical indications to include certain agricultural products and food products.

4.12. Canada has also ratified and acceded to several important multilateral treaties such as the *World Intellectual Property Organization (WIPO) Marrakesh Treaty* and the *WIPO Hague Agreement*, as well as implementing IP provisions in trade agreements, including CETA and CPTPP.

4.3 Cabinet Directive on Regulation

4.13. In 2018, Canada updated its policy directive to federal regulators through the *Cabinet Directive on Regulation*, which sets out the Government of Canada's expectations and requirements in the development, management, and review of federal regulations. The *Cabinet Directive on Regulation* also includes international considerations and obligations that must be taken into account during the development or review of regulatory proposals in order to avoid barriers to trade, including the promotion of regulatory cooperation and incorporation by reference.

4.4 The Canadian Agricultural Partnership Policy Framework

4.14. In 2017, federal, provincial and territorial ministers of agriculture came to an agreement on the key elements of the *Canadian Agricultural Partnership*, which provides significant flexibility for provinces and territories to design and deliver programmes that address local priorities while supporting shared national outcomes. The *Canadian Agricultural Partnership* continues to position Canada as a world leader in quality food, innovation and environmentally responsible agriculture production. It continues to focus on supporting innovation, competitiveness and market development.¹⁷

4.5 Supply Management

4.15. Under Canada's domestic system of supply management, farmers manage their production based on forecasts of demand for their products, attempting to strike a balance between supply and

¹⁷ Source: Canadian Agricultural Partnership: <http://www.agr.gc.ca/eng/about-us/key-departmental-initiatives/canadian-agricultural-partnership/?id=1461767369849>.

demand that provides efficient producers with the opportunity to receive fair returns on their labour and investments and promotes stable farm incomes. Canada's domestic system of supply management applies to five areas of agriculture: 1) dairy; 2) chicken; 3) turkey; 4) eggs and egg products; and, 5) broiler hatching eggs and chicks.

4.16. By effectively managing production and farm gate prices, shortages and costly surpluses are avoided, while providing consumers with a steady supply of high-quality products. Under the supply management system, national and provincial marketing boards control the supply of farm gate products (e.g. milk) to meet the demand of the Canadian market using production quotas. Registered quota holders (producers) then obtain a price for their production that provides them with a fair return on their labour and investments. Finally, agricultural tariff-rate-quotas ensure predictable import levels and thus maintain the efficacy of production and price controls for supply-managed products.

4.6 Sanitary and Phytosanitary Initiatives

4.17. Canada has undertaken significant changes during the review period to modernize its approach to the protection of human, animal, plant life and health. In this context, Canada is also modernizing its approach to maintain a robust approach to human, animal, and plant health and consumer protection, moving towards a more preventive and systems-based approach, which will allow regulated parties to more readily adapt to emerging risks and global and scientific trends. Canada is aiming to be more client focused, investing in digital tools, to make accessing information easier by offering industry electronic services and information to comply with regulations, while still upholding strong sanitary and phytosanitary measures.

- (a) Plant and Animal Health Strategy for Canada: Since 2017, Canada has been implementing the Plant and Animal Health Strategy for Canada¹⁸, which will facilitate collaborative work on approaches and activities to modernize and improve prevention and management of risks to Canada's plant and animal resources.
- (b) Safe Food for Canadians Regulations: The Safe Food for Canadians Regulations came into force on 15 January 2019. These new regulations consolidate 14 sets of food regulations, which will improve consistency of rules across all types of foods and between food businesses, reduce administrative burden, and enable food businesses to be innovative while continuing to meet required regulatory outcomes.
- (c) Modernizing the Food and Drugs Act: Canada has also committed to modernizing its food regulatory framework under the Food and Drugs Act so that it can better respond to advances in science and food technology and address emerging health and safety issues. This work will focus on modernizing existing regulations and developing new regulatory approaches to facilitate access to safe and innovative food products in a timely manner. Canada has also introduced new authorities for Marketing Authorizations and Incorporation by Reference tools to improve the rules pertaining to contaminants and other adulterating substances in foods.
- (d) Amendments to the Weed Seed Order: Canada's amendments to the Weed Seed Order came into force in November 2016, which are intended to reduce the number of weed species introduced to Canada through seeds.
- (e) Adoption of a Comparative Risk Model: Canada is also developing a risk management approach using the Comparative Risk Model (an analytical tool that uses data from external and government sources to compare risks), and the Establishment-based Risk Assessment (ERA) Model, used to create risk profiles for Canadian food establishments and adjust their inspection frequencies accordingly to prioritize, plan and deliver regulatory activities more efficiently.

¹⁸ Source: <http://www.inspection.gc.ca/about-the-cfia/accountability/partnerships-pahs/eng/1490917160508/1490917161242>.

- (f) **ePhyto Hub**: Canada has also contributed in-kind and financial resources to international standards setting bodies to support a range of activities, for example to the International Plant Protection Convention towards the development and implementation of the ePhyto Hub for electronic exchange of phytosanitary certificates by countries, to the FAO towards the provision of scientific advice to support the development of Codex Alimentarius Commission standards and towards World Organization for Animal Health (OIE) to support its activities as well as towards the revision of the chapters on Bovine Spongiform Encephalopathy and Avian Influenza.

4.7 Canada's Enhanced Corporate Social Responsibility (CSR) Strategy

4.18. In November 2014, Canada updated its enhanced corporate social responsibility strategy: *Doing Business the Canadian Way: A Strategy to Advance Corporate Social Responsibility in Canada's Extractive Sector Abroad*.¹⁹ The updated CSR Strategy clearly communicates the Government of Canada's expectation that Canadian companies demonstrate Canadian values and operate to high standards in their work abroad.

4.19. The Strategy articulates Canada's expectation that all Canadian firms operating abroad respect all applicable laws, operate transparently, consult with host governments, and implement internationally-recognized CSR best practices. The four pillars of the strategy include: the promotion of CSR guidelines; strengthening local capacity and training for responsible business and anti-corruption; fostering networks and partnerships to support responsible business; and voluntary mechanisms to help resolve disputes that may arise. The voluntary dispute resolution mechanisms include *Canada's National Contact Point for the OECD Guidelines for Multinational Enterprises* and the *Canadian Ombudsperson for Responsible Enterprise*, announced in 2018 with an intended mandate to review allegations of human rights abuse arising from Canadian company operations abroad in the mining, oil and gas and garment sectors. This strategy complements trade diversification efforts and other Government of Canada policies, including those related to developing countries, the environment, gender equality, labour and transparency.

4.8 Changes to Canada's Trade Remedy Regime

4.20. Since 2016, Canada has taken steps to modernize its trade remedy legislation, the *Special Import Measures Act*. Changes include the introduction of two new proceedings administered by the Canada Border Services Agency: 1) scope proceedings, to determine if imported goods fall under the scope of an anti-dumping or countervailing measure; and, 2) anti-circumvention investigations, to extend anti-dumping and countervailing measures to additional products that are circumventing measures that are in force.

4.21. Other changes include: the Canada Border Services Agency and Canadian International Trade Tribunal now conduct expiry reviews closer to the expiry date of trade remedy measures, allowing the Canada Border Services Agency to assess whether certain sales should be disregarded due to a particular market situation; permitting investigations to be terminated on an exporter basis in cases where there has been no dumping or subsidizing; and, granting unions participatory rights in investigations. Together these changes are aimed at strengthening Canada's trade remedy system by, inter alia: providing Canadian producers with a more rigorous response to unfair trade; better aligning Canada's trade remedy system with those of its major trading partners; and improving its transparency.

4.9 Countermeasures on U.S. Steel and Aluminium Products

4.22. On 31 May 2018, the U.S. announced tariffs on imports of certain steel (25%) and aluminum (10%) products from Canada, known as a Section 232 measure. In response, on 1 July 2018, Canada imposed countermeasures against CAD 16.6 billion in imports of steel, aluminum, and other products from the U.S., representing the value of 2017 Canadian exports affected by the U.S. tariffs. These countermeasures will be immediately removed once the U.S. eliminates trade-restrictive measures against Canadian steel and aluminum products.

¹⁹ Source: *Doing Business the Canadian Way: A Strategy to Advance Corporate Social Responsibility in Canada's Extractive Sector Abroad* viewed at: <http://www.international.gc.ca/trade-agreements-accords-commerciaux/topics-domaines/other-autre/csr-strat-rse.aspx?>

5 EXPORT DIVERSIFICATION AND TRADE PROMOTION

5.1. In recent years, Canada has worked to diversify its trade relationships through the negotiation and implementation of multilateral and bilateral trade agreements. Trade agreements, however, are only part of the equation, and must be accompanied by efforts to ensure that liberalized trade actually translates into increased flows of investment, goods, and services. During the review period, Canada has put in place strategies and programmes to help businesses take advantage of its FTAs. These efforts are anchored by Canada's *Export Diversification Strategy*, as well as specific initiatives aimed at addressing the particular trade development challenges faced by SMEs, women, and Indigenous peoples. Canada's Trade Commissioner Service (TCS) plays a central role in delivering Canada's export development and trade promotion initiatives.

5.1 Export Diversification Strategy

5.2. Announced in November 2018, Canada's *Export Diversification Strategy* commits CAD 1.1 billion over six years, beginning in 2018-2019, for initiatives to support the commercial success of Canadian businesses abroad, particularly in overseas markets. The Government of Canada recognizes that jobs in competitive, exporting sectors tend to pay higher wages. The Government of Canada also recognizes that maximizing Canada's economic prosperity will require taking full advantage of growing opportunities in a wider range of export markets. The Government of Canada is therefore committed to increasing the number of Canadian firms engaged in international trade and ensuring that they are diversifying exports to a wide variety of markets, especially those covered by Canada's FTAs.

5.3. The *Strategy* aims to support an increase in Canada's overseas exports by 50% by 2025, particularly in sectors and markets with identified high-growth potential. The *Strategy* comprises three elements:

- Accelerated investments in trade-related infrastructure (e.g., ports and trade transportation corridors);
- Providing Canadian businesses with the right tools to develop and implement effective export plans; and,
- Enhancing trade services for Canadian exporters.

5.4. In the 2018 *Trade and Transportation Corridors Initiative*, Canada launched a long-term federal commitment to help ensure that Canada's trade-related transportation system provides a foundation for economic growth, supports the efficiency of global supply chains, and positions Canada as a target market for international investors. One key element of the initiative is the *National Trade Corridors Fund*, which supports investments in ports, roads, railways, airports and intermodal facilities to help address transportation capacity constraints. Recognizing that these corridors are critical to Canada's efforts to diversify and grow its trade, the *Export Diversification Strategy* committed to accelerating the investment of CAD 773.9 million over five years to support the marine ports and transportation corridors that connect Canadians to global markets, and CAD 13.6 million over three years to enhance the quality and accessibility of transport data.

Supporting SMEs

5.5. SMEs represent 99% of all businesses in Canada, but only 11.7% of these SMEs are exporters. The *Export Diversification Strategy* has committed new resources to assist Canadian SMEs develop export strategies, build global partnerships, and gain skills and training needed for global trade. For instance, the *Strategy* includes an investment of CAD 10 million over three years for export-readiness programming for Canadian SMEs.

5.2 Trade Commissioner Service

5.6. Canada's Trade Commissioner Service helps Canadian companies succeed in foreign markets by providing them with local market information, contacts, international business development advice, and problem-solving services. Trade Commissioners also work with Invest in Canada to attract foreign investment into Canada.

5.7. The TCS administers several programmes that have a proven track-record of delivering results for exporters. The *Export Diversification Strategy* allocates new resources to support the modernization and expansion of TCS services and programmes. Planned investments over the next five years include:

- CAD 13.5 million to establish a peer-to-peer international business mentorship programme.
- CAD 100 million to reinforce *CanExport* and related funding programmes. *CanExport* provides direct financial assistance to Canadian SMEs seeking to develop new export opportunities, especially in high-growth emerging markets. Since 2016, the programme has supported 1,300 projects in 90 countries, generating CAD 375 million in new exports.
- CAD 17 million to expand the *Canadian Technology Accelerator* (CTA) programme to additional global innovation centres. This programme supports technology companies in expanding in new competitive environments through an intensive multi-month programme. In four years, the CTA programme has served 467 companies that reported 1,868 new jobs, CAD 408 million in new capital, CAD 146 million in new revenue and 837 strategic partnerships. Currently there are CTAs in the U.S. cities of New York, San Francisco, and Boston, with new programmes rolling out in Hong Kong China, Tokyo, Chinese Taipei, and Singapore.
- CAD 25.4 million to enhance TCS services for businesses operating in areas such as digital, e-commerce, and intellectual property.
- CAD 73.6 million to increase the number of Trade Commissioners available to serve Canadians both at home and abroad. The TCS has more than 1,000 trade professionals working in 161 cities across Canada and the world. TCS clients export an average of 19.8% more in value, with 11.2% more product variety, to 24.8% more markets compared to non-clients. The TCS has nearly 15,000 active clients. The majority of these clients are SMEs, representing close to 20% of all Canadian SME exporters.
- CAD 60 million to update TCS tools (e.g. enhanced digital presence and service delivery, analytics capabilities).

5.8. The TCS will also continue its *Business Women in International Trade* programme, which provides targeted support and services to export-ready and export-active women-owned businesses to better exploit supplier-diversity and other global commercial opportunities. This programme connects women with expanded export services and opportunities, focussing on taking advantage of opportunities arising from new FTAs such as CETA and the CPTPP. Over the last ten years, over 1,500 women-owned businesses have participated in Business Women in International Trade--led trade missions and initiatives.

5.9. In the fall of 2017, the TCS launched a strategic review aimed at modernizing its services, in consultation with its clients, partners, front-line trade commissioners and employees around the world. Out of this review came four key priorities to be implemented over the next two years: 1) digitalizing service delivery and harnessing data for client success; 2) differentiation of services to serve more clients with impact; 3) simplifying the client support experience and allowing for seamless client navigation across federal and provincial partners; and, 4) creation of an agile TCS workforce and making the TCS the best place to work for international business professionals.

5.3 Investment Promotion

5.10. During the review period, Canada created Invest in Canada, a new government agency that aims to increase Canada's ability to attract and facilitate high-impact foreign direct investment and the jobs that come with it. Launched in March 2018, the agency aims to promote Canada as a premier investment destination and help accelerate global investment. Invest in Canada works closely with Global Affairs Canada's Trade Commissioner Service to support foreign investors to establish or expand their operations in Canada.

5.4 The International Education Strategy

5.11. The International Education Strategy, launched in 2014, has been successful in meeting its various objectives, including increasing the number of international students studying in Canada to more than 450,000 annually. Canada is currently formulating a new International Education Strategy, which will seek to better align student recruitment with the country's labour market and immigration needs, as well as build skills and provide training that will help support Canada's international trade and increase global ties. It is anticipated that international education will continue to contribute to Canada's prosperity by promoting exports of educational services and goods, helping to address skills gaps and improving the competitiveness of the Canadian economy as well as help source countries. There are also direct benefits to the presence of international students: in 2017, the nearly 492,385 international students in Canada spent over CAD 18.6 billion in communities across Canada and sustained over 20,230 Canadian jobs.²⁰

5.5 Other Government of Canada Programmes and Strategies that Promote Exports

5.5.1 The Clean Growth Hub

5.12. In 2018, Canada launched the *Clean Growth Hub*, which is a new service model that co-locates representatives from different federal departments and agencies whose mandates are advanced by the adoption, innovation, and export of clean technology. This whole-of-government initiative serves as a focal point in supporting clean technology companies and projects. The *Clean Growth Hub* has helped over 780 clients in its first year of operation to identify the federal programmes and services most relevant to their needs, including support to exporters.

5.5.2 Creative Export Strategy

5.13. Launched in June 2018, this strategy aims to maximize the export potential of Canadian creative industries by boosting export development funding in existing Government of Canada programmes to increase and strengthen the presence of Canadian creative industries abroad.

5.5.3 Innovation and Skills Plan

5.14. In 2017, Canada developed a new microeconomic policy framework: The Innovation and Skills Plan, to attract investment and help businesses grow and become export oriented.²¹ The plan has three core aspects: 1) encouraging investments along the innovation continuum, from fundamental science, to commercial applications and new technology adoption, to accessing markets at home and abroad; 2) ensuring that Canadian industries have a pipeline of top talent to meet changing business needs due to digital transformation, by expanding and strengthening Canada's talent base through developing, attracting and retaining world-class talent; and, 3) helping companies at all stages to scale, grow and become export oriented. Under the plan, six sector-specific Economic Strategy Tables, chaired by industry leaders, were established to tackle bottlenecks and identify opportunities for economic growth. A September 2018 report emphasized the importance of export diversification, an agile regulatory environment, and a skilled workforce that can meet this demand. Canada supports these objectives and is implementing them through initiatives such as the Export Diversification Strategy.

5.6 Small-and Medium Sized Enterprises (SMEs)

5.6.1 Background Information

5.15. SMEs, defined in Canada as a business²² having between 1 and 499 employees²², represent 99.7% of all business and account for about 90% of private sector employment.²³ As of 2017, only 11.7% of SMEs exported goods or services, but accounted for almost 42% of the total value of Canada's goods exports.

²⁰ <https://www.international.gc.ca/education/report-rapport/impact-2017/index.aspx?lang=eng>.

²¹ <http://www.ic.gc.ca/eic/site/062.nsf/Intro>.

²² http://www.ic.gc.ca/eic/site/061.nsf/eng/h_03090.html#point2-1.

²³ http://www.ic.gc.ca/eic/site/061.nsf/eng/h_03090.html#point2-1.

5.16. Canada works hard to ensure that its marketplace framework helps to reduce administrative burden and make it easier to do business, while providing necessary protections to consumers and businesses. Canadian regulators are required to consider small business needs in the design of regulations. If a new or amended regulation is expected to increase the administrative burden on business, regulators are required to offset from their existing regulations an equal amount of administrative burden cost on business.

5.17. The Government of Canada has established several domestic programmes to help Canadian SMEs become more productive, more innovative and more export-oriented, in order to achieve long-term growth of SMEs and create good jobs for Canadians. For example, in 2016, the Government of Canada announced the Accelerated Growth Service, designed to support the growth of high-potential SMEs by helping them access key government services they need to grow, such as financing, exporting, innovation and business advice.

6 INCLUSIVE TRADE

6.1. Canada is actively promoting and pursuing an inclusive approach to trade as a core approach to address the concerns of a number of individuals that trade, and globalization do not benefit everyone. Inclusive trade complements Canada's efforts to diversify trade, by seeking to ensure that more Canadians can take advantage of the opportunities that flow from trade and investment. Inclusive trade supports economic growth that is more broadly shared and maintains confidence in an open, rules-based trading system.

6.2. Recent efforts to advance an inclusive approach to trade include international engagement, both multilaterally and with partners in the context of negotiating bilateral and regional FTAs. Domestically, Canada is: seeking to put more Canadians at the heart of trade policy through broader consultations and transparency; and, expanding access for Canadians through inclusive content in trade agreements. For example, while labour and environmental provisions have formed an integral part of many of Canada's FTAs since NAFTA, Canada has deepened these provisions in more recent agreements such as CPTPP, including by subjecting such provisions to the dispute-settlement mechanism of the Agreement. In addition, Canada is advancing new provisions and chapters in its FTAs designed to improve the capacity of and conditions for underrepresented groups, in particular women, owners of SMEs and Indigenous peoples, to access and benefit from the opportunities created by trade agreements.

6.1 Consultations and Transparency

6.3. Canada is a parliamentary democracy that highly values the involvement of its diverse citizenry in identifying policy priorities. Canada has several mechanisms for outreach, including formal and informal consultations that are transparent, accessible and accountable. To better align Canadian trade policy priorities with the interests of all Canadians, Canada is ensuring that its trade policy positions are informed before and during negotiations via public consultations and ongoing dialogue. This includes engaging with traditionally underrepresented groups; improving transparency throughout the negotiation process; promoting and communicating the benefits of trade and investment to Canadians; and, enhancing links, where appropriate, between trade and domestic socio-economic policy objectives that support job creation and growth.

6.4. Canada takes a broad-based approach to consultations in the development of its trade policy, including by actively eliciting the views of the general public and a broad range of stakeholders such as business, non-governmental organizations, labour groups, and academic and research communities. Canada makes a concerted effort to ensure that stakeholders that are traditionally underrepresented in international trade are also consulted on trade policy topics (e.g. women, owners of SMEs) in order to seek their views and to promote a more inclusive understanding of Canada's trade interests and priorities.

6.5. Canada holds formal consultations with its citizens while exploring any potential trade negotiations, in order to ensure that the views of Canadians are taken on board as to whether to pursue new agreements. For example, in 2018, the Government of Canada undertook formal consultations on how to modernize its FIPA model to make its investment agreements more inclusive, employing an innovative civic engagement platform called PlaceSpeak, which generated over 350 submissions from Canadians. Canada also holds formal consultations whenever there is a

significant policy shift or programme modernization foreseen: for example, Canada conducted consultations to inform the TCS strategic review in 2017.

6.6. The Government of Canada strives to create trade policy in close partnership with the governments of its provinces and territories. Canada remains committed to an open and collaborative approach to international trade policy and negotiations, especially as many areas of commerce (e.g., agricultural policy) are under provincial or shared federal-provincial jurisdiction. Canada also consults with municipalities on questions relating to Canada's trade agreements and negotiations, including through a joint working group with the *Canadian Federation of Municipalities*.

6.7. While the Government of Canada has a long-standing practice of directly engaging with Indigenous peoples with regards to its trade policy and priorities, beginning in September 2017, Global Affairs Canada established a regular and ongoing dialogue with Indigenous peoples through a dedicated trade-focussed Indigenous Working Group. The Working Group is comprised of National Indigenous Organizations, Modern Treaty partners, Indigenous groups and business associations, and certain legal and policy experts. The collaborative efforts of this group have been important in the development and advancement of Indigenous-related provisions in Canada's trade and investment agreements, in particular the development of a dedicated Trade and Indigenous Peoples' Chapter text.

6.8. Canada has an ongoing consultative framework that engages non-governmental stakeholders, including regular roundtables and meetings. The Minister of International Trade Diversification regularly meets with SMEs to hear about the biggest challenges faced by small companies in international commerce and holds regular calls with a Trade Advisory Council on a diverse range of trade policy files. Canada's Chief Negotiators for FTAs with Mercosur and the PA hold calls with registered stakeholders following each negotiation round. Ad-hoc consultations are also held to address specific issues that arise.

6.9. Canada attaches great importance to the role of Parliamentarians in developing Canada's trade agenda, primarily through the work of parliamentary committees. The Government of Canada tables international treaties, including FTAs, in the House of Commons for a period of 21 sitting-days before taking steps to bring these treaties into force. This process allows for greater transparency ahead of parliamentary debate and review of Canada's international agreements.

6.10. Finally, on the management of trade disputes, the Government of Canada seeks the participation of appropriate provinces and territories when Canada must respond to a dispute involving provincial/territorial programmes or measures. Representatives of provinces and territories normally work closely with the Government of Canada officials responsible for the dispute.

6.2 Advancing an Inclusive Approach in Trade Agreements

6.2.1 Trade and Environment

6.11. Canada is committed to ensuring mutual supportiveness between trade and environmental protection objectives and policies, including ensuring that trade partners do not lower environmental standards to promote trade or attract investment. Canada's current approach in its FTAs consists of seeking a dedicated Environment chapter with core commitments for Parties to maintain robust environmental governance. Canada also seeks to address key global environmental challenges in its FTAs through substantive commitments in a wide range of areas, including sustainable trade in fish and forest products; illegal logging and illegal wildlife trade; and, conservation of species at risk.

6.12. The CPTPP is Canada's first FTA to include an Environment chapter that establishes a binding and enforceable dispute resolution process to address compliance. The CPTPP also includes substantive commitments on an expanding range of environmental issues, such as illegal wildlife trade and illegal logging, sustainable fisheries management, species at risk, conservation of biological diversity, ozone-depleting substances, marine pollution, and working together to address climate change and combat invasive alien species.

6.13. Domestically, Canada also examines the links between trade and environmental protection, by undertaking mandatory Environmental Assessments to evaluate the environmental impact of its

trade negotiations and agreements. Conducting Environmental Assessments ensures mutually supportive trade and environmental outcomes, in accordance with the *Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals*.²⁴ Environmental Assessments are consulted fully throughout the negotiation and implementation phases with a working group consisting of leading Canadian academic and non-governmental experts.

6.2.2 Trade and Labour

6.14. Canada addresses the labour dimensions of economic integration, and the promotion of respect for fundamental labour principles and rights, through the negotiation and implementation of comprehensive and enforceable labour provisions as part of its FTAs. Canada is pursuing an ambitious approach that reflects Canada's high labour standards and the need to ensure a level-playing field for Canadian workers and businesses. These provisions seek to improve working conditions and living standards in the signatory countries and to protect and enhance basic workers' rights. To date, Canada is signatory to Labour Agreements with Chile, Colombia, Costa Rica, Honduras, Israel, Jordan, Korea, Panama, Peru and Ukraine. In addition, both CETA and CPTPP include a labour chapter, and negotiations were recently completed for a labour chapter as part of the CUSMA.

6.15. Canada's Labour Funding Program provides financial support for cooperative labour activities and technical assistance to partner countries to foster compliance with the commitments set out in labour agreements, including those related to internationally recognized labour rights and principles.

6.2.3 Trade and Gender

6.16. Trade liberalization has stimulated economic growth and prosperity around the world, including in Canada. Trade, however, affects people differently, based on a wide range of factors, including gender. Canada believes that the link between trade and gender is an important issue for trade negotiators to consider as they negotiate FTAs.

6.17. Incorporating gender perspectives into macroeconomic policy, including trade policy, is essential to pursuing inclusive and sustainable economic development and to achieving outcomes that are fairer and more beneficial for all. A 2017 study by the McKinley Institute has shown that advancing women's equality in Canada has the potential to add CAD 150 billion in incremental GDP in 2026, or a 0.6% increase to annual GDP growth.

6.18. Gender equality and the avoidance of discrimination based on gender is one of many elements that Canada has pursued during trade negotiations in the past, notably via language regarding the elimination of employment discrimination in labour provisions.

6.19. Recently, Canada has sought to include gender considerations throughout its FTAs, notably through the inclusion of dedicated Trade and Gender chapters, where possible. Trade and Gender chapters acknowledge that trade is not gender neutral and that more can be done to advance women's economic empowerment and participation in international trade and investment. The chapter provisions provide a framework for Canada and its partners to work together on important issues like women's entrepreneurship and the development of gender-focused indicators and analysis. Successes to date include Canada's modernized FTAs with Chile and Israel, both of which include a Trade and Gender chapter.

6.20. Outside of a dedicated chapter, Canada is working on mainstreaming gender-responsive elements throughout its trade agreements, including in areas such as labour, cross-border trade in services, and investment. For example, this includes seeking provisions in the cross-border trade in services chapter that prohibit gender-based discrimination related to licensing and professional qualification requirements and procedures.

6.21. Canada has actively championed the *WTO Joint Declaration on Trade and Women's Economic Empowerment*, which was endorsed in December 2017 by over 120 WTO members and observers.

²⁴ Source: Privy Council Office and Canadian Environmental Assessment Agency – Cabinet Directive for the Environmental Assessment of Policy, Plan, and Program Proposals: <https://www.ceaa-acee.gc.ca/default.asp?lang=en&n=B3186435-1>.

Canada is also supportive of the OECD's proposal to "genderify" the trade in value added (TiVA) dataset, which has been developed in tandem by the OECD and WTO.

6.2.4 Trade and SMEs

6.22. SMEs are taken into consideration in Canada's approach to negotiating trade agreements, by seeking to integrate SME-related provisions throughout FTAs, including in areas such as government procurement, origin procedures, trade facilitation, intellectual property, investment, and e-commerce. Canada's most recent FTAs include a dedicated SME chapter, where appropriate. Canada's first SME chapter is in the CPTPP; Canada has since added a dedicated SME chapter in its modernized agreement with Israel and in the CUSMA. At the first CETA Joint Commission meeting in September 2018, Canada and the EU also issued a recommendation on Trade and SMEs, which provides a framework for Canada and the EU to work together on ways to increase trade and investment opportunities under CETA for SMEs, including those owned by under-represented groups.

6.2.5 Trade and Indigenous peoples

6.23. The Government of Canada is committed to a renewed relationship with Indigenous peoples in Canada, based on recognition of rights, respect, cooperation, and partnership. Canada seeks to increase the opportunities of Indigenous peoples and Indigenous-owned businesses to further benefit from international trade and investment, while ensuring that constitutionally protected rights are respected through Indigenous-specific exceptions and reservations in FTAs designed to maintain policy flexibility.

6.24. Canada has always aimed to uphold its constitutional obligations toward Indigenous peoples by seeking specific exemptions, for example the ability to promote the use of Indigenous-owned businesses in government procurement. During the review period, Canada has expanded Indigenous peoples' inclusions in its FTAs, notably with the treatment of traditional knowledge. More specifically, the CPTPP is Canada's first FTA to include traditional knowledge language in the context of the Intellectual Property (IP) and General Provisions chapters, in addition to the Environment chapter.

6.25. Where appropriate, in its current FTA negotiations Canada is pursuing a dedicated Trade and Indigenous peoples chapter that seeks to acknowledge the importance of enhancing the ability of Indigenous peoples and Indigenous businesses to benefit from the opportunities that flow from trade and investment. The proposed chapter provides a framework for FTA partners to work together to identify and address the barriers that Indigenous peoples face in international trade.

7 CONCLUSION

7.1. International trade, and the rules-based international trading system in which it operates, are essential to Canada's economy. In the face of global uncertainty, the Government of Canada has prioritized pursuit of trade diversification and free trade in order to drive continued global economic growth, rather than turning inward and retreating to protectionism. This approach is reflected in Canada's role on WTO reform as well as its successes in pursuing ambitious and comprehensive free trade agreements with new partners.

7.2. Canada is committed to making its trade and investment more inclusive, ensuring that the benefits are more widely shared. In this regard, it is working with Canadian businesses, including SMEs, to ensure that they can take advantages of the bridges built through new trade and investment agreements. Canada is also committed to pursuing provisions in its trade agreements in areas including labour rights, the environment, SMEs, gender equality, and to increase opportunity for Indigenous peoples.

7.3. At the heart of Canada's trade policy is a desire to protect and build global confidence in the benefits of liberalized trade and the multilateral system that supports it, safeguarding the economic health of all trading nations.
