

investors and ensure that national policies will not be unduly changed or applied in a discriminatory manner. Canadian firms can also mitigate their exposure when making foreign investments in risky regions by purchasing political risk insurance. Political risk insurance is available from commercial insurers, as well as from Export Development Canada (EDC). For more information, please visit the EDC Web site (www.edc.ca).

Canadian firms continue to encounter investment barriers abroad, including investment prohibitions, restrictions on the scope of business activity, performance requirements, investment authorizations, residency requirements and restrictions on the movement of business people. These difficulties tend to be most frequently reported with respect to Africa, Central and South America, China and Russia.

Investment agreements do not restrict a country's ability to regulate in the public interest. Foreign investors in Canada (and Canadian investors in foreign markets) must abide by the domestic laws of the host country and obey the same rules as nationals. For example, investors are not exempt from domestic competition laws or local regulations relating to health, labour or the environment.

BILATERAL INITIATIVES

Bilateral investment treaties are used extensively by trading nations as instruments to protect their foreign investments abroad. More than 2,000 such agreements are in place worldwide. Since 1989, Canada has concluded 22 bilateral foreign investment protection and promotion agreements (FIPAs), bringing into force a framework of legally binding rules to protect Canada's foreign investments in specific countries. Canada's FIPAs provide assurances to Canadian enterprises that rules governing their investment will remain bound by certain standards of fairness and predictability, thereby reducing the risks and costs associated with those investments, mainly in emerging economies. A complete list of Canada's FIPAs can be found at the Department of Foreign Affairs and International Trade Web site (www.dfait-maeci.gc.ca/tna-naclfipa_list-e.asp).

BILATERAL AND REGIONAL FREE TRADE AGREEMENTS

The North American Free Trade Agreement with the United States and Mexico includes a comprehensive investment chapter. This investment chapter provided a basis for the investment provisions in the Canada-Chile Free Trade Agreement and most of Canada's FIPAs. Investment negotiations with other countries in Latin America and the Caribbean are an integral aspect of the ongoing negotiations of the Free Trade Area of the Americas, as well as of a free trade initiative with the Central America Four (CA4: El Salvador, Guatemala, Honduras and Nicaragua). Investment provisions are also likely in any potential free trade agreements with the Caribbean Community and Common Market, the Andean Community countries and the Dominican Republic. As well, investment negotiations are being conducted in the context of negotiations toward a free trade agreement with Singapore.

WORLD TRADE ORGANIZATION

At the fourth World Trade Organization (WTO) Ministerial Conference held in Doha in November 2001, ministers agreed to launch investment negotiations following the fifth Ministerial Conference, conditional upon an agreement on negotiating modalities. However, at the fifth WTO Ministerial, which took place in Cancun on September 10 to 14, 2003, ministers were unable to reach consensus on whether to initiate these negotiations.

Over the course of 2002 and 2003, Canada submitted nine papers to the WTO Working Group on the Relationship between Trade and Investment. These papers examined a number of issues, including the seven elements identified for clarification in paragraph 22 of the Doha Declaration: scope and definitions, non-discrimination, modalities for pre-establishment commitments based on a positive list approach (similar to that in the General Agreement on Trade in Services), development provisions, exceptions and balance-of-payments safeguards, consultations, and the settlement of