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Canada's International Market  
**Access Report – 2008**



Foreign Affairs and  
International Trade Canada

Affaires étrangères et  
Commerce International Canada

Canada

Please visit our online database on foreign commercial barriers at  
**www.cimar-database.gc.ca**

### Search Trade Barriers

Welcome to the CIMAR database of trade barriers, which complements the 2008 edition of Canada's International Market Access Report (CIMAR). It is primarily targeted toward Canadian businesses investigating their export options and possibilities, in order to inform them of existing individual trade barriers they might encounter.

In using the search function below, please note that selecting multiple criteria in the search fields will only return trade barrier information that matches all selected criteria. For example, if you choose "Agriculture, Food & Beverages" under Sector and "India" under Market, the search will return trade barriers specifically relating to agriculture, food and beverages in India.

To view all trade barriers currently in the database, please select "All" in the search fields and leave the Keywords field blank before clicking on the Search button.

Keywords:

Sector:

Product Code:

Market:

1

### Honey

Sector: Agriculture, Food & Beverages  
 Product Code: 0409 - Honey (natural)  
 Product Description: Honey  
 Measure: Tariffs  
 Market: Korea, Republic

Provisions/Territory: (All)  
 Description of the Korea's current tariff rate quota (TRQ) for honey is 420 tonnes; the Measure: tariff on in-quota imports is 20%, while the tariff over the TRQ is 243%. Under the competitive bidding process for import rights, the price of the honey becomes the determining factor in winning the bidding, and it is difficult for higher-quality and higher-priced products to compete within the TRQ.

State of Play: Improved market access is being sought as part of negotiations toward a free trade agreement.

Contact: Darole Doan  
 Counselor, Agriculture and Food  
 Embassy of Canada, Seoul, Republic of Korea  
 Darole.Doan@intarnational.gc.ca

Last Reviewed/Updated: 2007-06-01

This page provides information on an existing individual trade barrier. It is current to the date identified above as "Last reviewed/updated".

2

### Search Results

Search Criteria: Keywords=(All); Sector=(All); Product Code=(All); Market=(All)

Trade Barriers	Markets
Accounting, Auditing and Bookkeeping Services	Austria, Bolivia, Brazil, Chile, Denmark, El Salvador, France, Guatemala, Honduras, Hong Kong, SAR, Indonesia, Italy, Japan, Korea, Republic, Nicaragua, Paraguay, Uruguay
Agricultural Products	Venezuela
Architectural Services	Belgium, Brazil, Greece, Hong Kong, SAR, Indonesia, Jamaica, Philippines, Portugal
Auto parts	China
Average Agri-Food Tariff Levels	Japan
Avian Influenza	Brazil, Dominican Republic, Hong Kong, SAR, Korea, Republic, Mexico, Philippines
Banking	Malaysia
Biosafety (Genetically Modified Organisms - GMOs)	Japan
Bovine Spongiform Encephalopathy	Antigua and Barbuda, Argentina, Australia, Bahamas, Barbados, Brazil, Chile, Dominican Republic, El Salvador, Guatemala, Honduras, India, Jamaica, Malaysia, Nicaragua, Pakistan, Saint Lucia, Singapore, South Africa, Trinidad and Tobago, Turkey, Uruguay
Bovine Spongiform Encephalopathy	China
Bovine Spongiform Encephalopathy	Egypt
Telecommunications	China
Temporary Entry of Business Persons	United States of America
Wine and Spirits	All
Wood Products	India
	China

3

- 1 Search for trade barrier by keyword sector, product code or country.
- 2 Provides a description of the trade barrier.
- 3 List of trade barriers.

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Catalogue Number: FR2-7/2008  
 ISBN: 978-0-662-05730-7

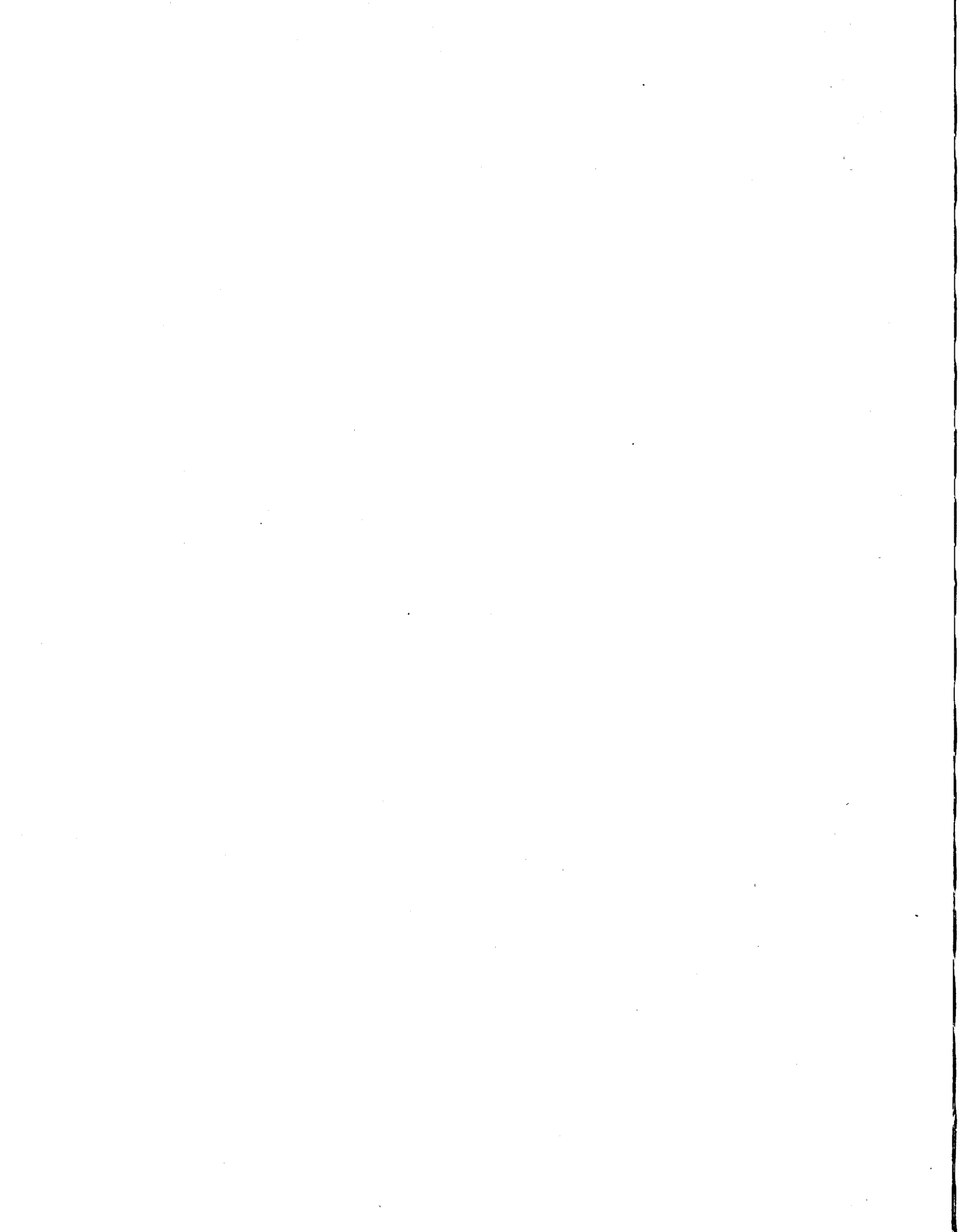
Canada's International Market  
**Access Report – 2008**



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## Message from the Minister of Foreign Affairs and International Trade and Minister for the Pacific Gateway and the Vancouver-Whistler Olympics

As Canada's Minister of Foreign Affairs and International Trade and Minister for the Pacific Gateway and the Vancouver-Whistler Olympics, I am pleased to present the 2008 edition of *Canada's International Market Access Report*, which outlines market-access issues for 2008 and highlights the many successes achieved last year.

Canada is a trading nation. Our prosperity and quality of life hinge on success in the global marketplace. We need our businesses and investors reaching out to the markets of the world to capture new opportunities to generate the wealth upon which we all depend.

The Government of Canada is committed to helping Canadians compete effectively in the global marketplace. We are implementing a Global Commerce Strategy to help Canadian businesses and investors benefit from everything the global economy has to offer. This includes an aggressive agenda of free trade negotiations that will give Canadians the access they need to dynamic markets around the world.

This annual report is an important part of this pursuit. It contains useful market access information and trade policy highlights, and outlines important issues relating to investment, innovation, science and technology.

In 2006, we implemented a new online database ([www.cimar-database.gc.ca](http://www.cimar-database.gc.ca)) to help Canadian exporters better understand the trade barriers they face. We are extremely pleased with the positive feedback received from Canada's business community on this



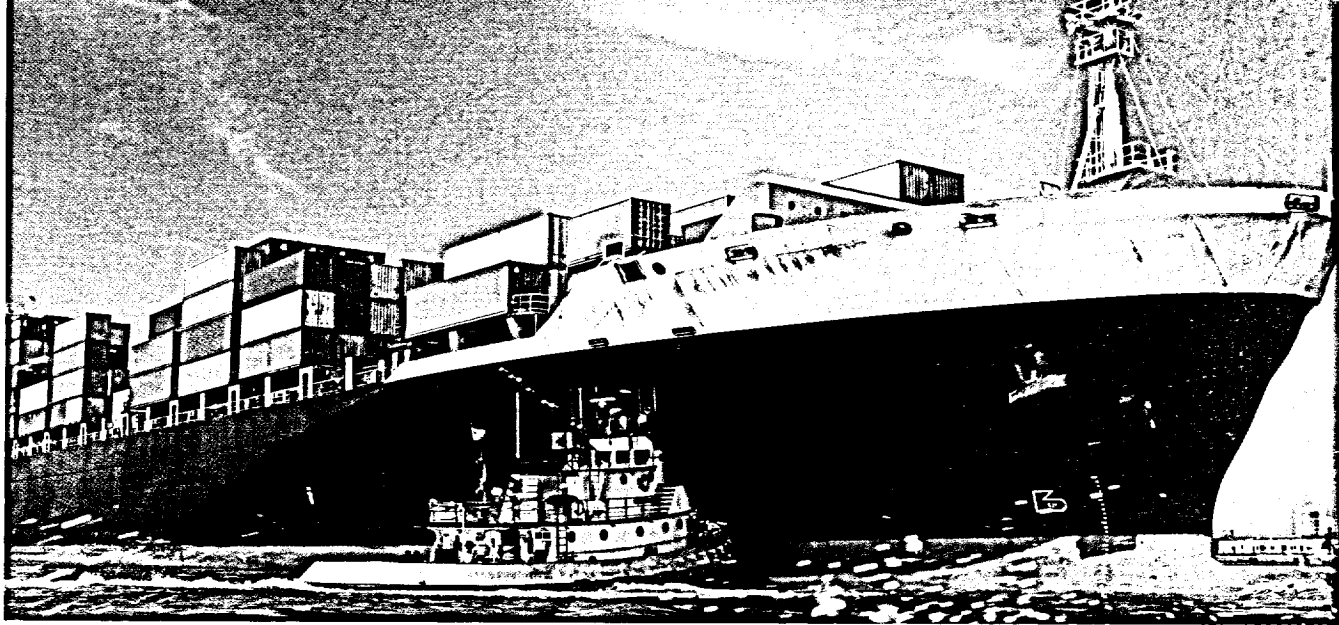
database, and we look forward to working with them in the year ahead to ensure that they have the tools and information they need to succeed and thrive in the global marketplace.

I encourage you to make this report—and the online database—an active part of your business planning for the next year and beyond.

Working together, we can continue building on Canada's proud legacy as a trading nation, and ensure that our nation remains successful and prosperous into the future.

A handwritten signature in black ink, appearing to read "D. Emerson". The signature is fluid and cursive, written in a professional style.

The Honourable David L. Emerson,  
Minister of Foreign Affairs and International  
Trade and Minister for the Pacific Gateway  
and the Vancouver-Whistler Olympics



## CHAPTER 1 Introduction

There is no doubt that Canada's economy, jobs and quality of life all depend on our businesses and investors reaching out to the markets of the world to capture opportunities. International competition has been good for the economy, attracting investment to Canadian communities, spurring innovation and the creation of cutting-edge technology, and opening the eyes of Canadian businesses to the world of opportunity beyond our borders.

By extension, our future prosperity can be enhanced through government efforts to help our businesses and investors tap into global opportunities and succeed in markets around the world. These efforts involve providing support in the key global markets using the right tools and business intelligence, including timely and accurate information about trade and investment barriers in these markets.

*Canada's International Market Access Report (CIMAR)* is an important part of the Government of Canada's ongoing work to help firms and investors understand what they can expect in international markets, and what is being done to provide the market access they need to succeed on the world stage. Along with the accompanying Internet database—found at [www.cimar-database.gc.ca](http://www.cimar-database.gc.ca)—CIMAR offers the most up-to-date information on the kinds of trade barriers Canadian companies and investors can encounter in markets around the world, and is a valuable tool for them as they plan their global operations. CIMAR is also an important component of the Government of Canada's Global Commerce Strategy, which is outlined in the next section.



## Chapter 1

# Introduction

Foreign Affairs and International Trade Canada (DFAIT) is committed to ensuring that CIMAR and its database continue to meet the needs of Canadian exporters and investors, and welcomes input on commercial barriers being encountered in foreign markets. Individual companies, industry associations and other interested organizations are encouraged to contact us with specific information on tariff and non-tariff barriers, as well as other business irritants. We invite businesses to report any problems they are experiencing to:

“Foreign Trade and Investment Barriers Alert”  
Foreign Affairs and International Trade  
Canada (CSL)

Lester B. Pearson Building  
125 Sussex Drive  
Ottawa ON K1A 0G2  
Fax: 613-944-7981

Email: [Consultations@international.gc.ca](mailto:Consultations@international.gc.ca)

### **Global Commerce Strategy**

The Global Commerce Strategy is the government’s overarching plan to help Canadians prosper in the global marketplace by giving them the tools and support they need to succeed in an increasingly complex and competitive global economy. It is a component of Advantage Canada, the government’s national strategy for building fiscal, tax, education, infrastructure and entrepreneurial advantages at home.

The Global Commerce Strategy is founded on the notion that higher productivity and better access to North American and global

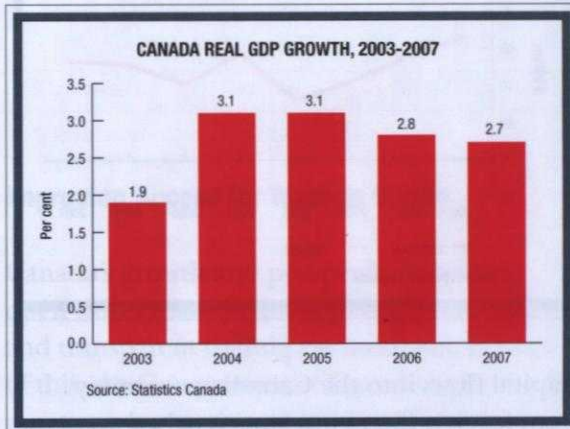
markets will strengthen Canada’s position as a destination and partner of choice for international business. It acknowledges that, in the new global economy, businesses compete with businesses and governments compete with governments to create conditions that will help their private sectors to invest, innovate and succeed globally. The Global Commerce Strategy positions Canada to meet these competitive realities, focusing on three inter-related priority objectives and action plans:

- Reinforcing Canada’s North American advantage by facilitating exchanges of foreign direct investment, innovation and talent between Canada and the rest of the world.
- Deepening Canadian access to global markets and networks through a renewed and aggressive international trade negotiations agenda.
- Better connecting Canadian companies to global opportunities by realigning Canada’s international commercial network to meet the needs of modern, internationally engaged business.

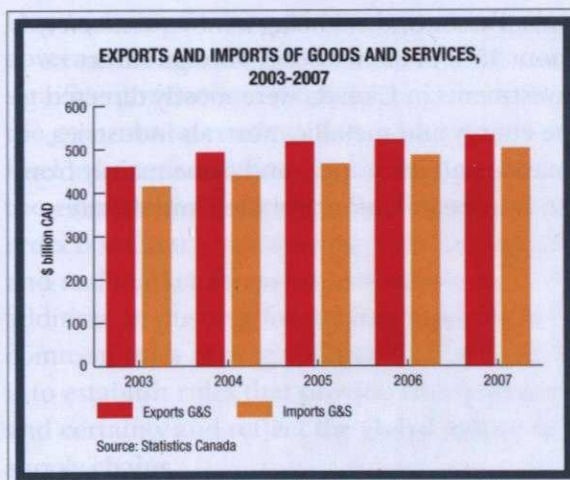
This framework will bring a more strategic focus to our efforts to help Canadian firms secure access to markets, capital, technology and talent—one that will enable them to be more competitive and productive. The Global Commerce Strategy is the Government of Canada’s ambitious answer to the ever-changing challenges faced by Canadian business in today’s global market.

**Trends in Canadian Trade and Investment**

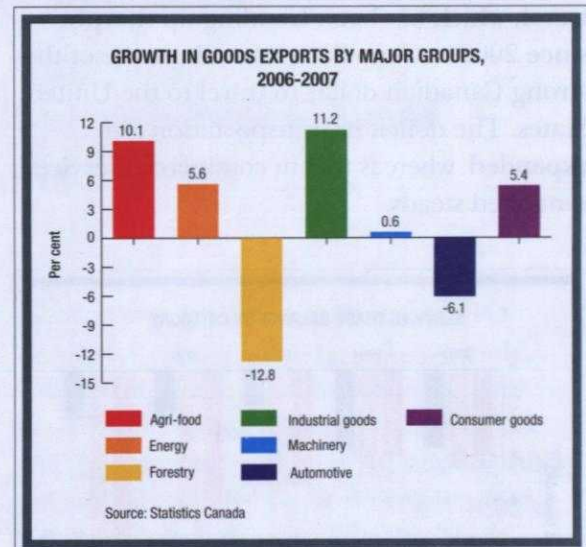
Canada's economy posted solid gains in 2007, with real gross domestic product (GDP) rising by 2.7%, driven by consumer spending, which expanded by 4.7%. GDP growth in 2007 matched average growth for the past five years. However, the appreciation of the Canadian dollar and slowdown in the U.S. economy began to show their impact in the fourth quarter of 2007.



Exports of goods and services increased by 1.9% to top \$532.7 billion in 2007, equivalent to about 34.8% of Canadian GDP.



While overall exports increased, the sectors showed varied performance, with brisk growth in industrial goods and materials and in agricultural and fisheries products, and declines in automotive and forestry products. Growth in industrial goods was fuelled by continued high world prices in metals and increased export volumes.



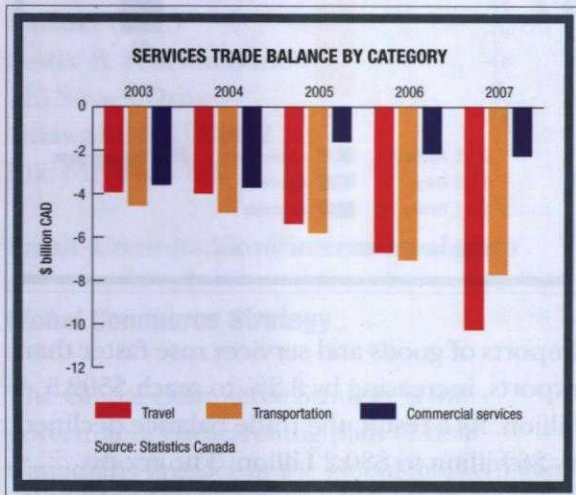
Imports of goods and services rose faster than exports, increasing by 3.2% to reach \$502.5 billion. As a result, the trade balance declined by \$6 billion to \$30.2 billion. The goods surplus with the U.S. dropped by about 11.5% to \$85 billion but, as in previous years, was still \$40 billion larger than the Canadian global trade surplus and the sole source of the overall trade surplus. Canada's goods trade deficit with non-U.S. destinations decreased slightly to \$35.3 billion, down from \$44.8 billion in 2006. By geographical area, 76.4% of goods exports were destined for the U.S., with about 8.5% and 2.2% of goods exports bound for the European Union and Japan, respectively.



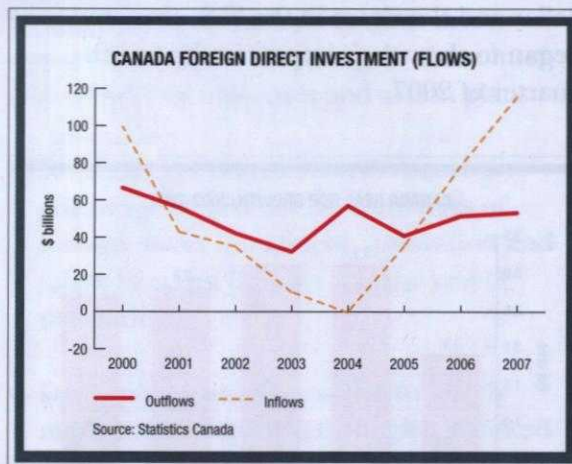
## Chapter 1 Introduction

In 2007, the United Kingdom was the second most important single country destination for Canadian goods exports, taking 3.2%.

Although services exports increased slightly to \$67.5 billion in 2007, imports rose to a record \$86.9 billion, bringing the services deficit to a new high of \$19.5 billion, up from \$15.2 billion in 2006. The bulk of the deficit was due to travel, which has been trending up sharply since 2002 as Canadians take advantage of the strong Canadian dollar to travel to the United States. The deficit in transportation also expanded, whereas that in commercial services remained steady.



The flow of Canadian direct investment abroad reached \$53.1 billion in 2007, the fourth highest level historically. Most of this investment was concentrated in the finance and insurance industry, followed by energy and metallic minerals, and was directed to the United States and the European Union.



Capital flows into the Canadian economy from foreign direct investors reached an unprecedented level of \$115.4 billion in 2007. Cross-border mergers and acquisitions were the driving force behind foreign direct investment in Canada in 2007, reflecting consolidation of some sectors on a worldwide scale. Reinvested earnings were equivalent to about 15% of all net flows. Foreign direct investments in Canada were mostly directed to the energy and metallic minerals industries, finance and insurance, and came mainly from the European Union and the United States.



## CHAPTER 2

### Canada's Trade in Goods and Services

#### Improving Access for Trade in Goods

Canada's growth and prosperity depend on open world markets and a stable, predictable and transparent trading environment. Because of this, the Government of Canada aggressively pursues improved market access for goods through negotiations at the multilateral, bilateral and regional levels.

In the non-agricultural market access negotiations under way at the World Trade Organization (WTO), for example, the government is seeking the elimination or significant reduction of tariffs. In agriculture, the government continues to press for a more level international playing field, in particular, the elimination of export subsidies, substantial reductions in trade-distorting domestic support and real market access improvements. In addition, in pushing for the development of common rules of origin, Canada's objective is to establish rules that provide transparency and certainty and reflect the global nature of supply chains.

Another priority for Canada at the WTO is to secure strong, binding rules on trade facilitation to maximize transparency and streamline customs procedures. As well as seeking improved and clarified rules on trade remedies in the current WTO negotiations, the government also monitors the trade remedy laws and practices of Canada's key trading partners and intervenes where appropriate. Such interventions address policies or practices that could hurt Canadian exporters in trade remedy cases. The government provides Canadian exporters involved in trade remedy investigations with information and advice.

Canada is also pursuing improved market access for trade in goods on a bilateral basis, including through ongoing bilateral and regional free trade negotiations (see Chapter 4, "Regional and Bilateral Free Trade Agreements and Other Initiatives"). As well as strengthening market access for Canadian goods in a variety of foreign markets by eliminating tariffs, free trade negotiations also provide an opportunity

## Chapter 2

# Canada's Trade in Goods and Services

to address non-tariff barriers—particularly in the area of standards—that affect various sectors, including the automotive sector. In ongoing and future trade negotiations, Canada will aim for high-level agreements that enhance Canadian economic prosperity by eliminating tariffs on all non-agricultural and a range of agricultural goods, and by effectively addressing any non-tariff barriers confronting Canadian companies.

### **Improving Access for Trade in Services**

Canada works to expand market access for services providers through various mechanisms including the General Agreement on Trade in Services (at the World Trade Organization) and a number of bilateral free trade agreements. These types of agreements facilitate services trade by gradually removing impediments to trade, and they support a rules-based trading system rooted in predictability, transparency and fairness. Canada continues to seek an ambitious outcome for services trade in the Doha Round of WTO negotiations and to negotiate services chapters in bilateral trade agreements with selected partner countries.

The increased trade in services made possible by free trade agreements—which promote access to foreign markets and reduce regulatory barriers within Canada and abroad—benefits Canada through job creation, increased productivity, greater business activity and more consumer choice in services. Increased trade in services, including transportation, distribution, communications and even legal services, can also benefit trade in other sectors of the economy by increasing efficiency in the export of Canadian manufactured goods and primary sector products.

In 2007, Canada made significant progress on bilateral air services agreements. Under its Blue Sky international air policy, Canada continues to participate in bilateral air transport agreement negotiations to expand opportunities for airlines to add or improve passenger and all-cargo services in response to market demand. For information on the Blue Sky policy, please visit [www.tc.gc.ca/pol/en/ace/consultations/bluesky.htm](http://www.tc.gc.ca/pol/en/ace/consultations/bluesky.htm). For information on bilateral air agreements concluded in 2007, please visit [www.international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/facts-air-eclair.aspx?lang=en](http://www.international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/facts-air-eclair.aspx?lang=en).





## CHAPTER 3

### Current Issues

#### Canada-U.S. Border

There is a long history of Canada-U.S. border cooperation based on principles of risk management, consultation, effectiveness and efficiency. In recent years, Canada and the United States have made significant commitments to new border security initiatives, including the Shared Border Accord (1995), the Smart Border Declaration and Action Plan (2001), and the Security and Prosperity Partnership (2005). In addition, we have successfully formalized several facilitation programs to identify low-risk travellers and goods.

The Government of Canada is working with key Canadian allies to advance border solutions through interdepartmental, trilateral and bilateral working groups, close monitoring of the work of the North American Competitiveness Council, and an assessment of the Border Wait-Time Management Project. We are also improving measurement, monitoring and analysis of the border environment. For

example, we are using better metrics to measure delays at crossings and conducting timely economic analysis.

However, Canada continues to face challenges flowing from some unilateral U.S. security initiatives that seek to secure the northern border. This issue is significant for Canada, given our integrated economic relationship with the U.S. and our people-to-people ties. Increased border security has increased the costs of cross-border trading for many companies and may affect future investment decisions.

Recently introduced U.S. security measures—for example, the Western Hemisphere Travel Initiative, the collection of agricultural inspection fees, increased inspections as part of risk-management programs, and increased security resources and surveillance—together signal significant compliance costs for our integrated manufacturing and transportation sectors. They also potentially devalue the attractiveness of risk-management trade and

## Chapter 3

### Current Issues

trusted traveller programs; cause investment and job losses; and could lead to larger future costs such as those resulting from diminished economic confidence. Because the implications of increased compliance costs are of serious concern to Canada, we are continuing to collaborate closely with the U.S. via a range of channels to address ongoing border-related challenges.

#### Softwood Lumber

Since it came into force on October 12, 2006, the Canada-U.S. Softwood Lumber Agreement has functioned well, providing a stable and predictable trade environment for Canadian softwood lumber producers. The agreement provides for the imposition of a volume restraint and/or an export charge on exports of softwood lumber products to the United States when the price of lumber is at or below US\$355 per thousand board feet. The funds collected from the export charges stay in Canada. In January 2008, \$467.5 million in export charge amounts were disbursed among six Canadian provinces.<sup>1</sup> Canada remains committed to the success of the Softwood Lumber Agreement for its seven-to-nine year lifespan.

#### BSE

Following Canada's announcement of its first bovine spongiform encephalopathy (BSE) case in Alberta on May 20, 2003, most of our trading partners banned imports of Canadian cattle, beef and related products. Since then, Canada has been working with these trading partners toward a resumption of trade based

on science and standards established by the World Organisation for Animal Health (OIE). The OIE is the relevant international standards-setting organization for animal health referenced in the WTO Agreement on the Application of Sanitary and Phytosanitary Measures.

On May 22, 2007, at the OIE's 75th General Session in Paris, Canada was officially recognized as a "controlled risk" country for BSE. This recognition was the result of a comprehensive evaluation by the OIE's BSE expert panel of Canada's BSE risk mitigation, surveillance and eradication measures. Having achieved this designation, Canada is able to certify that its beef and cattle exports meet the conditions for safe trade under the OIE Code. On this basis, Canada has been requesting trading partners to resume full trade in beef and cattle.

On July 12, 2007, Canada announced the implementation of an enhanced feed ban under which certain cattle tissues that are capable of transmitting BSE, known as specified risk material, are banned in all animal feed, pet food and fertilizer. The ban represents a significant step toward accelerating the elimination of BSE from Canadian cattle, and supports Canada's status as an OIE-recognized controlled-risk country for BSE.

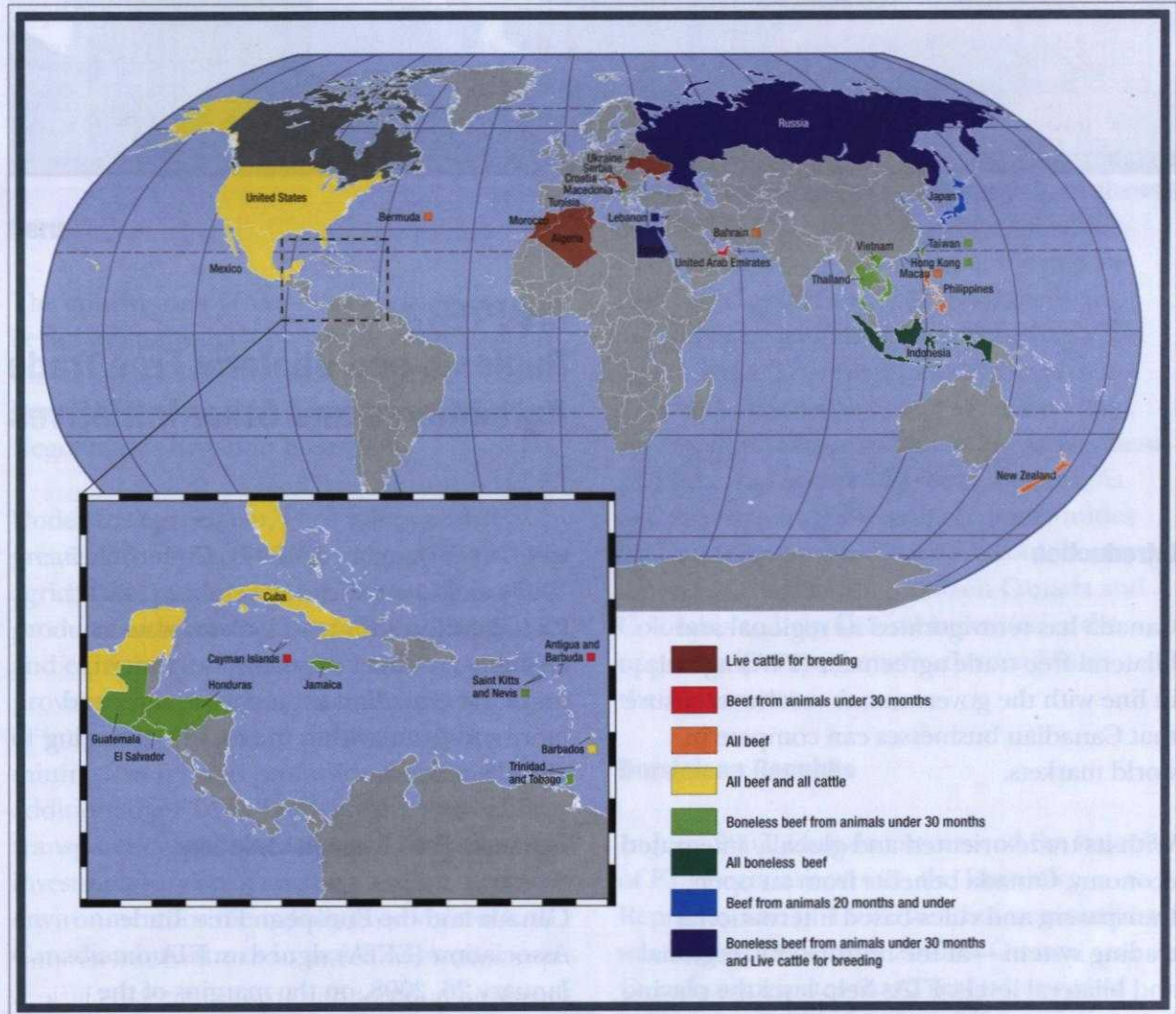
On November 19, 2007, the U.S. Department of Agriculture implemented its final BSE Second Rule. As a result, the U.S. market is now open to the vast majority of Canadian beef and cattle exports.

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<sup>1</sup> Industry Canada, *Government of Canada Delivers on the Promise of the Softwood Lumber Agreement* [online], news release, January 11, 2008, [www.cra-arc.gc.ca/newsroom/releases/2008/jan/nr080111-e.html](http://www.cra-arc.gc.ca/newsroom/releases/2008/jan/nr080111-e.html).

## Chapter 3 Current Issues

The following markets have now resumed full or partial trade in beef and cattle with Canada:





## CHAPTER 4

# Regional and Bilateral Free Trade Agreements and Other Initiatives

### Introduction

Canada has reinvigorated its regional and bilateral free trade agreement (FTA) agenda in line with the government's resolve to ensure that Canadian businesses can compete in world markets.

With its trade-oriented and globally integrated economy, Canada benefits from an open, transparent and rules-based international trading system—at the multilateral, regional and bilateral levels. FTAs help level the playing field for Canada vis-à-vis competitors who have agreements with markets of interest, and also help to secure Canadian investments. They offer enhanced market access for a broad range of Canadian goods and services. And they encourage Canadian businesses to expand into foreign markets and boost living standards by creating jobs in Canada.

In addition to the North American Free Trade Agreement (NAFTA—which entered into force on January 1, 1994), Canada has FTAs

with Israel (January 1, 1997), Chile (July 5, 1997) and Costa Rica (November 1, 2002). Canada will continue to look for ways to create new market opportunities that will make the Canadian economy stronger and more successful within the rapidly changing global economy.

### European Free Trade Association

Canada and the European Free Trade Association (EFTA) signed an FTA on January 26, 2008, on the margins of the World Economic Forum in Davos, and entry into force is expected by early 2009. Free trade negotiations with EFTA, which comprises Iceland, Liechtenstein, Norway and Switzerland, were launched in 1998.

The agreement is Canada's first FTA with any European countries and our first FTA in more than six years. It will bolster our existing commercial relationships with the EFTA countries, and broaden Canadian access to these valuable European markets. The direct



## Chapter 4

# Regional and Bilateral Free Trade Agreements and Other Initiatives

commercial benefits to Canada will come from the elimination of duties on all non-agricultural goods and from the elimination or reduction of tariffs on selected agricultural exports. The FTA also provides a platform for Canadian business to tap into European Union value chains.

### **Peru**

The conclusion of free trade negotiations with Peru was announced by Minister Emerson on the margins of the World Economic Forum in Davos, Switzerland, on January 26, 2008. Negotiations began in June 2007.

Under the agreement, Peru will provide greater market access for a range of Canadian agricultural products, as well as non-agricultural products such as paper products and machinery and equipment. The agreement also contains provisions on cross-border trade in services of interest to Canada in sectors including mining, energy and professional services. In addition, the FTA will provide greater stability, transparency and protection for Canadian investments in Peru, creating a more receptive environment for the rapidly growing stock of Canadian investment in that economy.

Provisions on the environment, biodiversity and corporate social responsibility are included in an environment agreement. A labour cooperation agreement, which includes enforcement obligations and associated penalties, has also been negotiated. This comprehensive agreement sets a new standard for labour provisions in Canada's FTAs. Following a legal review of the negotiated texts, the FTA will be signed by the parties and proceed to each country's respective legislatures for ratification.

### **Colombia**

Free trade negotiations with Colombia (launched in June 2007) are ongoing. Canada remains committed to concluding a deal in the near future.

A number of Canada's competitors have already concluded FTAs with Colombia. A Canada-Colombia FTA would help level the playing field for a broad range of Canadian goods and services, and also help secure Canadian investments. There is potential for gains in a variety of sectors including agriculture and agri-food, mining, machinery and equipment, and financial and professional services. As well as providing new market opportunities for Canadian business, an FTA would foster increased cooperation between Canada and Colombia to help Colombia maximize the opportunities and benefits deriving from the Agreement.

### **Dominican Republic**

In June 2007, Canada announced the launch of FTA negotiations with the Dominican Republic. The first full round of negotiations was held in December 2007 in Ottawa. Canada anticipates that a second round of negotiations will take place following the Dominican Republic's presidential elections, scheduled for May 2008. To date, negotiators have made considerable progress on a range of issues, including market access for goods and services, investment, rules of origin and trade facilitation.

The Dominican Republic is an established and growing destination for Canadian goods (e.g. mineral fuels, equipment, machinery, agri-food and fish products) and for services



## Chapter 4

# Regional and Bilateral Free Trade Agreements and Other Initiatives

and investment (e.g. in the financial, mining, tourism and engineering sectors). A free trade agreement with the Dominican Republic would strengthen the bilateral economic relationship, and better position Canadian business vis-à-vis competitors that currently have preferential market access (e.g. the United States and European Union). It would also promote a more stable and predictable environment for investors.

Canada is pursuing a comprehensive FTA, which would cover a wide range of areas including trade in goods and services, investment and government procurement. Canada is seeking tariff elimination on a range of commercially significant agricultural and industrial products, and is working to address non-tariff barriers.

### **CARICOM**

In July 2007, Prime Minister Harper and Caribbean Community (CARICOM) heads of government announced the launch of negotiations toward a comprehensive FTA. The inaugural meeting was held in October 2007 in Kingston, Jamaica. The first full round of negotiations may take place in early summer 2008, although a firm date has not yet been set.

CARICOM (consisting of Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Saint Lucia, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Suriname, and Trinidad and Tobago) is an established market for Canadian goods, services and investment. A comprehensive agreement

would create market opportunities for Canadian exporters of goods and services and a more transparent, stable and predictable environment for Canadian business.

There are potential gains in several goods sectors including industrial goods (e.g. pharmaceuticals and electrical equipment), agriculture (e.g. french fries, pork and pulses) and fish and seafood. Potential gains are also expected in various services sectors (e.g. professional services and research and development) and in investment (e.g. financial services, oil and gas, and tourism).

Canada is seeking a comprehensive and modern trade agreement with CARICOM that would cover issues besides trade in goods, services and investment. Canada will take into account different levels of development, the vulnerabilities of island states, and trade-related capacity challenges during the negotiation process.

### **Central America Four**

FTA negotiations between Canada and the Central America Four (CA4) countries of El Salvador, Honduras, Nicaragua and Guatemala were launched in November 2001. After 10 full rounds, the negotiations are well-advanced. A number of chapters in the agreement have been completed or are near completion, while some of the more sensitive issues require further work. Officials last met in October 2006 in Ottawa. Although the discussions were useful, considerable differences remain on key issues, including market access. A date for the next meeting has not been set.

## Chapter 4

# Regional and Bilateral Free Trade Agreements and Other Initiatives

Canada remains committed to concluding a comprehensive and balanced FTA with the CA4 countries that yields benefits to all parties. Canada is seeking an FTA that will allow Canadian exporters to compete on a level playing field with competitors in the region, in particular the United States, which has an FTA with these countries.

Canada is seeking to reduce or eliminate CA4 tariffs on exports of key Canadian interest, including petroleum products, wood and paper products, industrial and electrical machinery, beef, pork, pulses and frozen potatoes, and to create a more stable and predictable business environment for Canadian investors.

### South Korea

In July 2005, Canada and South Korea (Korea) launched negotiations toward a comprehensive FTA. Thirteen full rounds of negotiations have been conducted, the latest in March 2008 in Ottawa.

A conclusion to the negotiations is within reach, but the remaining issues will be difficult to resolve. The government will continue to consult with Canadian stakeholders and will not conclude negotiations until it has an agreement that meets the needs of Canadians. Canada is seeking an ambitious and high-quality FTA with Korea that provides real market access opportunities for Canadian exporters, including Canadian automotive manufacturers. The majority of responses to Canada's domestic consultations have been positive.

An FTA with Korea would deliver significant commercial benefits to Canada. Results from macroeconomic modelling suggest that if the FTA had been fully in place in 2005, Canadian goods exports to Korea might have been 56% higher and Canadian GDP \$1.6 billion greater. Sectors that could benefit from an FTA include agriculture and agri-food, fisheries, forestry and other natural resources, machinery and equipment, and financial and professional services.

The signing of the Korea-U.S. FTA (KORUS) last June, coupled with Korea's ongoing negotiations with the European Union, underlines the importance of maintaining Canada's competitiveness in this strategic Asian market, as well as the significance of Korea as a strategic trading partner in Northeast Asia.

### Singapore

The Canada-Singapore FTA negotiations were launched in 2001. Canada and Singapore completed the eighth round of negotiations in August 2007 in Ottawa. Negotiations are at an advanced stage, with many elements already finalized. Despite progress, more work remains to be done on issues such as market access for services and investment in order to secure a satisfactory outcome for Canadians.

An FTA would raise Canada's profile in Singapore, facilitate goods and services trade, and improve Canada's ability to participate in global value chains. High-growth, export-oriented services sectors such as financial and professional services stand to benefit the most through improved access to opportunities in Singapore, a pre-eminent hub in the region.

## Chapter 4

# Regional and Bilateral Free Trade Agreements and Other Initiatives

### Jordan

In July 2007, Prime Minister Harper and King Abdullah II of Jordan agreed to study the feasibility of an FTA. Canada and Jordan held exploratory discussions in November 2007 to discuss the scope of a potential FTA, and negotiations were launched on February 20, 2008. The first round of negotiations was held in Amman from April 13 to 17, 2008, with the second round scheduled for July 28 to August 1, 2008, in Ottawa.

An FTA with Jordan could generate increased export opportunities for Canada in a variety of sectors including manufacturing, agriculture and agri-food, and forest products. Jordan has FTAs with some of our key competitors (e.g. the United States and European Union), and a Canada-Jordan agreement would help ensure a level playing field for Canadian exporters.

### Panama

Canada and Panama have strong, well-established economic ties and commercial relations that continue to expand. At the request of Panama and in accordance with Canada's re-engagement with the Americas, Canada has agreed to exploratory FTA discussions with Panama to better assess the potential scope and benefits of a prospective FTA. If the outcome of the talks is positive, the government would embark on comprehensive consultations with stakeholders across Canada before taking any decision to begin negotiations.

### Other Initiatives

#### *European Union-Canada Study on the Costs and Benefits of a Closer Economic Partnership*

At the June 2007 Canada-European Union (EU) Summit in Berlin, the European Union and Canada agreed, among other things, to cooperate on a study to examine the costs and benefits of a closer economic partnership. This study will examine existing barriers, especially non-tariff barriers, to the flow of goods, services and capital, and estimate the potential benefits of removing such barriers. The study will also identify how such a partnership could complement ongoing efforts to enhance bilateral cooperation in areas such as science and technology, energy and the environment.

Leaders will review the results of the study at the 2008 Canada-EU Summit, with a view to pursuing balanced and closer future Canada-EU economic integration. While neither the European Union nor Canada should presuppose the outcomes of the study, Canada hopes the study will help lay the foundation for leaders to take ambitious steps toward enhancing the Canada-EU economic relationship at the summit.

#### *Canada-Japan Joint Study*

The Canada-Japan Joint Study was launched at the signing of the Economic Framework in November 2005 by the prime ministers of each country. The objective of the study was to assess the costs and benefits of further promoting and liberalizing bilateral trade and investment. Released in October 2007, the study highlighted the positive economic

## Chapter 4

# Regional and Bilateral Free Trade Agreements and Other Initiatives

relations between Canada and Japan and indicated that more could be done to strengthen our commercial ties. It identified a number of initiatives—such as enhanced cooperation on food safety and continued efforts toward a double taxation agreement—that would promote future bilateral economic relations. At the January 2008 meeting of the Canada-Japan Joint Economic Committee, Canada and Japan agreed to engage in focused discussions on the establishment of a “trade and investment dialogue” that would address regulatory cooperation, trade policy and the overall business environment. Such discussions will enable us to strengthen our cooperation efforts with Japan.

### *Regulatory Cooperation*

Through various regulatory cooperation initiatives, Canada continues to collaborate with key partners with the goal of providing greater economic opportunity for all parties while protecting the health and safety of its citizens and their environment. Canada is currently at differing stages of broad-based regulatory cooperation with its NAFTA partners (the United States and Mexico), the European Union and Japan.

With the implementation of NAFTA Canada has achieved free trade with the United States and Mexico. However, the benefits could be further enhanced through closer cooperation on regulatory issues. The non-binding North American Regulatory Cooperation Framework (RCF) enables the NAFTA partners to pursue further regulatory cooperation aimed at lowering costs for North American businesses, producers, governments and consumers;

maximizing trade in goods and services across our borders; while protecting health, safety and the environment. In order to enhance North American competitiveness in global markets, ongoing work is taking place to improve regulatory cooperation in priority sectors (such as the automotive sector), which includes the development of regulatory approaches that are compatible across our borders. New areas for cooperation continue to be identified and pursued under the RCF, which was adopted in August 2007 at the North American Leaders' Summit in Montebello, Quebec.

The non-binding Framework on Regulatory Cooperation and Transparency, implemented through the Canada-EU Roadmap for Regulatory Cooperation, continues to advance regulatory cooperation in sector-specific areas such as chemicals and food allergen labelling. The Canada-EU Framework and the Roadmap also facilitate regulatory cooperation on horizontal issues. New areas of cooperation continue to be identified for the Roadmap, which was adopted in June 2007 at the Canada-EU Summit in Berlin. Progress in regulatory cooperation with the EU could be further strengthened by concluding a stand-alone regulatory cooperation agreement, as called for by leaders at the June 2007 Canada-EU Summit.

Pursuant to the recently concluded Canada-Japan Joint Study, Canada is developing a regulatory cooperation initiative with Japan. In addition, Canada has a variety of issue-specific dialogues on regulatory matters with a range of other commercial partners and is open to considering additional broad-based dialogues where appropriate.



Photo courtesy of the World Trade Organization

## CHAPTER 5

### Getting the International Rules Right

#### Canada and the World Trade Organization

Canada's membership in the World Trade Organization underpins Canadian trade policy and is an important avenue to achieving Canada's market access goals. The WTO rules govern the trade relations of the 152 members of the organization.<sup>2</sup> The WTO agreements are the building blocks of the multilateral trading system. They are negotiated and signed by member countries, and then ratified by member countries' elected representatives.

The two basic principles of the WTO are as follows: equal treatment for all WTO members (the most-favoured-nation clause), under which countries cannot normally discriminate between their trading partners; and national treatment (treating foreigners and locals

equally), under which imported and locally produced goods, foreign and domestic services, and foreign and local trademarks, copyrights and patents must be treated equally.

The WTO provides a forum for negotiating market access and other trade rules. Importantly, it also provides the best forum for monitoring the implementation of obligations and commitments under various trade agreements, reviewing members' trade policies and practices, and discussing trade-related issues that inhibit the free, fair and predictable flow of trade. The WTO also offers a state-to-state dispute settlement system, whereby trade disputes are settled based on commonly agreed-on rules, rather than political or economic power.

<sup>2</sup> In December 2007, the WTO General Council approved the accession of Cape Verde to the WTO in July 2008. This accession will bring membership of the WTO to 153.



**The Doha Round and Canada's Objectives**

The Doha Development Agenda (Doha Round) negotiations were launched in Doha, Qatar, in November 2001. This development-focused round includes negotiations on agriculture; non-agricultural market access services; WTO rules on antidumping and subsidies disciplines, including fisheries sector subsidies; WTO rules on regional trade agreements; and trade facilitation. Development-related considerations are to inform all negotiating areas.

Although deadlines in these negotiations have been repeatedly missed, progress has been made in some areas (e.g. an agreement to eliminate all agricultural export subsidies by the end of 2013), and members continue to work toward a successful conclusion of the round.

Canada's overall objective in these negotiations is to secure an ambitious outcome that creates a level playing field for the agri-food sector; increases real market access for goods and services; provides improved and clarified rules on trade remedies and strong, binding rules on trade facilitation; and secures a development outcome that provides real benefits to developing countries. With respect to the development dimension of the round, Canada is seeking a balance between development objectives, developing countries' concerns and Canadian commercial interests. For this reason, Canada supports effective special and differential treatment for developing countries, the provision of trade-related technical assistance and capacity-building

activities, and greater institutional and policy coherence between the WTO and other international institutions. These measures will help developing countries manage their transition to full participation in the global economy. For more information on Canada and the WTO, please visit [www.international.gc.ca/tna%2Dnac/wto-en.asp](http://www.international.gc.ca/tna%2Dnac/wto-en.asp).

Canada's approach to the Doha Round negotiations includes close collaboration with provinces and territories and consultations with stakeholders and the public to obtain their views and build awareness of the benefits of trade liberalization through the WTO process. As part of this effort, the government's trade policy website (<http://geo.international.gc.ca/cip-pic/menu-en.aspx>) will continue to provide up-to-date information on the status of the negotiations and to invite public comments on negotiating priorities and objectives.

**Accessions of New Members to the World Trade Organization**

Canada participates in the accession negotiations for all countries seeking to join the WTO. Negotiations take place on two tracks: multilateral and bilateral. Canada's overall objectives are to ensure that acceding countries are fully compliant with WTO obligations and to seek more open, secure and predictable access for Canadian goods and services. Further information on the WTO accession process can be obtained at [www.wto.org/english/thewto\\_e/acc\\_e/acc\\_e.htm](http://www.wto.org/english/thewto_e/acc_e/acc_e.htm).

## Chapter 5

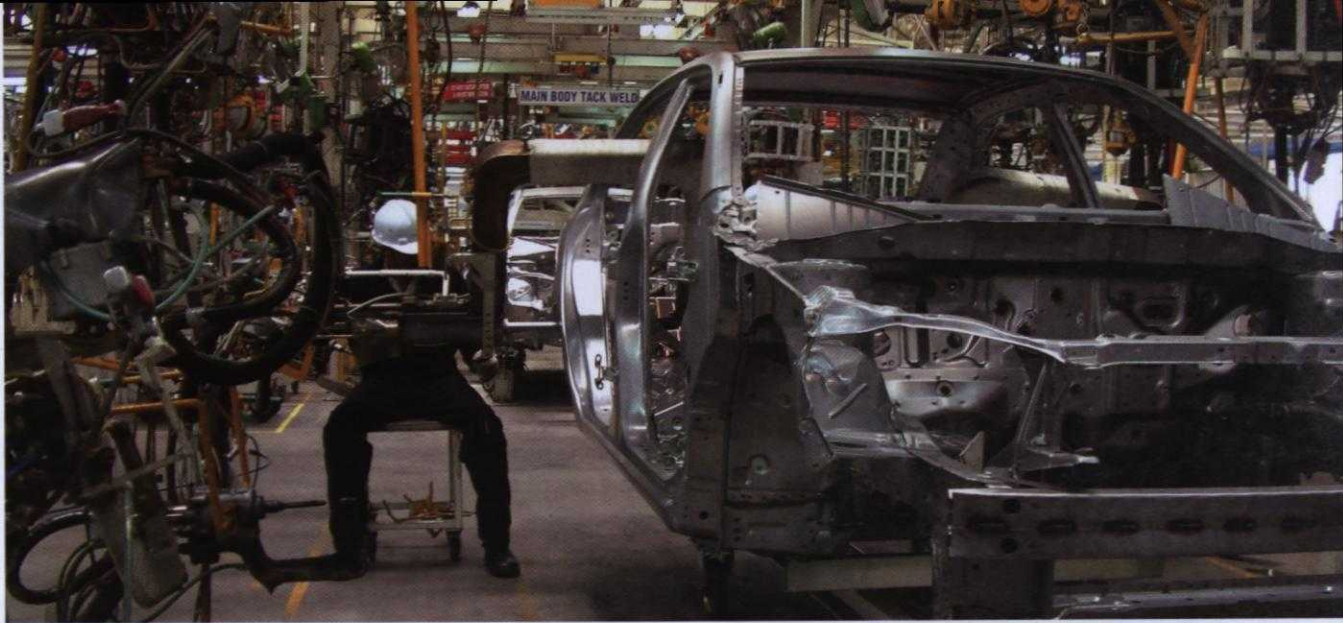
# Getting the International Rules Right

### Dispute Settlement

Dispute settlement is the central pillar of the multilateral trading system. The dispute settlement mechanism underscores the rule of law and makes the trading system more secure and predictable. The system is based on clearly defined rules, with timetables for completing each case. Canada—one of the most active participants in the dispute settlement system—is currently engaged in five dispute settlement cases as complainant, two as defendant and eight as third party. Canada's complaints include those related to tariff and market access issues, agricultural subsidies and technical barriers to trade in intellectual property. This activity illustrates Canada's firm commitment to the WTO rules-based system. For more information on dispute settlement, please see [www.wto.org/english/tratop\\_e/dispu\\_e/dispu\\_e.htm#intro](http://www.wto.org/english/tratop_e/dispu_e/dispu_e.htm#intro).

### Trade Policy Review Mechanism

The WTO Trade Policy Review Mechanism (TPRM) is a peer review exercise designed to enhance the transparency of WTO members' trade policy regimes and improve adherence by all members to WTO rules and disciplines. All WTO members are reviewed, with the frequency of each country's review varying according to its share of world trade. Canada participates in the reviews of all WTO members, and is itself reviewed every four years (most recently in March 2007). For information on Canada's review, please see [www.international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/wto-omc/tpr07.aspx?lang=en](http://www.international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/wto-omc/tpr07.aspx?lang=en). Further information on the TPRM can be found at [www.wto.org/english/tratop\\_e/tpr\\_e/tpr\\_e.htm](http://www.wto.org/english/tratop_e/tpr_e/tpr_e.htm).



## CHAPTER 6

### Opening Doors to North America

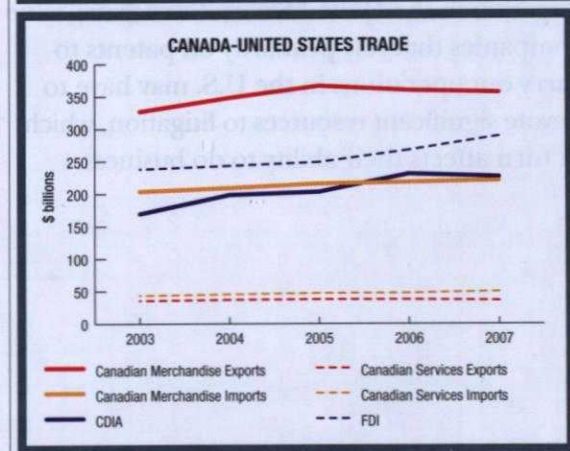
#### United States

Canada has a long-standing and multi-dimensional relationship with the United States. Because of its size, proximity and familiarity to Canadians, the American market remains the key to our economic prosperity. Canada and the U.S. share the largest bilateral flow of goods, services, people, capital and technology of any two countries in the world.

However, Canada can no longer take its special position in the U.S. for granted. Globalization is making Canada's proximity advantage less significant, and bilateral and multilateral trade liberalization is reducing the margin of preference we enjoy as a result of NAFTA. Moreover, given the buoyancy of the Canadian dollar in the context of high commodity prices and Canada's sound economic fundamentals, Canadian manufacturers are finding it tough to maintain their market shares. To meet these challenges, Canada must redouble its efforts to retain and improve its commercial position with the United States.

UNITED STATES		
	2007	Percentage change since 2006 (%)
Population	302 million	1.0
GDP	\$14.9 trillion	2.2
Canadian Merchandise exports	\$356.0 billion	0.9
Canadian Services exports	\$36.4 billion	-2.7
Canadian Merchandise imports	\$220.4 billion	1.3
Canadian Services imports	\$49.9 billion	5.7
CDIA	\$226.1 billion	-1.8
FDI	\$288.6 billion	8.0

*All GDP figures in the tables are quoted at current prices, whereas annual percentage changes of GDP are calculated at constant prices.*



## Chapter 6

# Opening Doors to North America

There are always a number of complex bilateral issues at play in the Canada-U.S. relationship at any given time. Although several are currently garnering public attention, relations are in every other respect positive and functioning well.

### *Current Issues*

While we have resolved some commercial issues and made significant progress in others over the past year, several challenges remain. For example, Canada is currently managing a wide variety of agricultural trade issues with the U.S. These include the 2007 U.S. Farm Bill process, the establishment of a WTO panel on U.S. agricultural subsidies at Canada's (and Brazil's) request, market access related to BSE, and concerns in the U.S. over the safety of imported products. Among Canada's concerns is the lack of reform of farm programs in the 2007 Farm Bill, as well as provisions on mandatory country-of-origin labelling and sugar. Canada will continue to work with the United States on a coordinated approach to food and product safety, and to actively engage on proposals introducing any new import safety measures, such as additional border inspection fees, that could have a significant impact on Canadian exports.

#### **Western Hemisphere Travel Initiative**

A key concern for Canada is unilateral U.S. border security measures and their impact on cross-border trade and travel, including new document requirements for entry to the U.S. under the Western Hemisphere Travel Initiative (WHTI). Canada has been working with the U.S. to ensure that implementation of the WHTI on land and sea, to be implemented in June 2009, is managed in a way that facilitates the flow of trade and travellers across the border while ensuring the security of the two countries.

Another issue is the U.S. definition and treatment of dual nationals within the International Traffic in Arms Regulations (ITAR), which has made it difficult for dual nationals in Canada to gain job-related access to controlled technologies and data. As the Canadian Charter of Rights and Freedoms protects against discrimination based on nationality, challenges have been brought against Canadian organizations that have reassigned dual-nationality employees from ITAR-related projects. To address the issue, the U.S. State Department signed an exchange of letters with Canada's Department of National Defence (on May 14, 2007) and with the Communications Security Establishment, Canadian Space Agency and National Research Council (on June 19, 2007). While these arrangements resolve the dual-nationality problem for the Canadian government departments that have signed an exchange of letters, a solution is still needed for Canadian companies that provide support to the Department of National Defence and other Canadian government operations. This is a top priority for the Government of Canada.

Additionally, administrative procedures by U.S. patent authorities, combined with judicial interpretations of U.S. patent law in circuit courts, create a situation that encourages litigation in the United States. Canadian companies that rely primarily on patents to carry out operations in the U.S. may have to devote significant resources to litigation, which in turn affects their ability to do business.



Canada was the largest energy supplier to the United States in 2007. Consequently, expected climate change legislation will need close monitoring and possibly intervention to ensure Canadian views and interests are taken into consideration. Opportunities exist for collaboration on conserving and sustainably developing existing energy resources, increasing energy efficiency, developing alternative energy sources and representing North American interests at multilateral energy meetings.

### *Security and Prosperity Partnership*

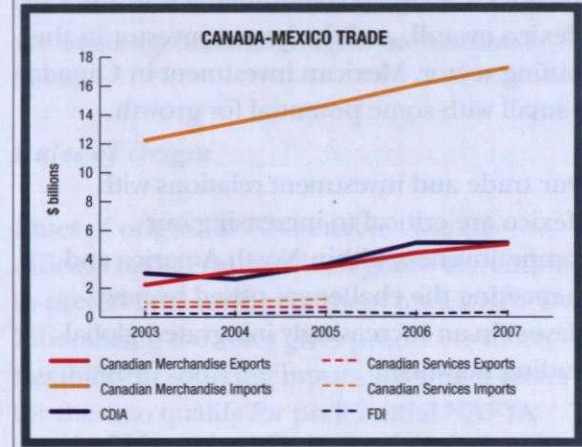
The Security and Prosperity Partnership of North America was a main theme at the North American Leaders' Summit held in Montebello, Quebec, in August 2007. At that meeting, the leaders of Canada, the U.S. and Mexico discussed the partnership's value as a mechanism for achieving tangible results and noted the progress made on the Regulatory Cooperation Framework, the Intellectual Property Action Strategy, and the Trilateral Agreement for Cooperation in Energy Science and Technology. Further, they directed ministers to focus on five priority areas: enhancing the global competitiveness of North America, food and product safety, smart and secure borders, sustainable energy and the environment, and emergency management and preparedness.

### Mexico



**MEXICO**

	2007	Percentage change since 2006 (%)
Population	105.4 million (IMF est.)	1.1
GDP	\$960.2 billion	3.3
Canadian Merchandise exports	\$5.0 billion	13.2
Canadian Services exports	\$635 million (2005)	-
Canadian Merchandise imports	\$17.2 billion	7.2
Canadian Services imports	\$1.2 billion (2005)	-
CDIA	\$5.1 billion	-2.3
FDI	\$294 million	3.5



Mexico is a strategic commercial partner for Canada. Over the past year, Mexico's economy has continued to demonstrate macroeconomic stability. Mexico has also demonstrated its commitment to trade liberalization at the bilateral, trilateral and multilateral levels and continues to make progress domestically in developing a competitive business environment that encourages and supports foreign direct investment and job creation.

## Chapter 6

# Opening Doors to North America

NAFTA has propelled the Canada-Mexico relationship to unprecedented levels of trade, investment and cooperation. Based on import statistics from both countries, bilateral merchandise trade has almost quadrupled since NAFTA entered into force in 1994, and Mexico is now Canada's fifth most important merchandise export market and third most important supplier.

An increasingly reliable and transparent regulatory environment has led to the creation of more than 1,900 subsidiaries of Canadian companies in Mexico. According to Mexican statistics, Canada is the fifth largest investor in Mexico overall, and the largest investor in the mining sector. Mexican investment in Canada is small with some potential for growth.

Our trade and investment relations with Mexico are critical to increasing our competitiveness within North America and to meeting the challenges posed by new players in an increasingly integrated global trading network.

Trade relations between Canada and Mexico benefit from the high-level engagement of officials from both countries. Canada and Mexico work closely together as NAFTA partners but have increasingly looked for ways to expand the relationship through the use of new and innovative mechanisms such as the trilateral Security and Prosperity Partnership of North America and the bilateral Canada-Mexico Partnership.

### Canada-Mexico Partnership

The Canada-Mexico Partnership (CMP) was launched in October 2004. This high-level public-private forum is strengthening bilateral economic and policy cooperation and promoting discussion among the private and public sectors at the highest levels. The partnership helps focus additional efforts on important issues, such as economic development, in a manner that complements existing work.

Additionally, the CMP's mandate includes identifying obstacles to trade and investment and making recommendations for their removal. The expanding partnership now includes seven working groups: trade-investment-innovation; agri-business; housing; human capital; energy; labour mobility; and environment and forestry.

The sixth CMP meeting took place on March 4 and 5, 2008, in Ottawa. For more information, please visit [www.mexico.gc.ca](http://www.mexico.gc.ca).

Despite rapidly increasing levels of trade, Canada and Mexico have few trade irritants. Challenges over the next year include possible protectionist pressures resulting from the final NAFTA tariff elimination and increased competition from China, although this is unlikely to affect Canada-Mexico trade. To ensure fair access for Canadian exporters, the Government of Canada will continue to monitor the implementation of the 2008 NAFTA provisions, which include removal of remaining trade restrictions on the import of corn and beans. The government will be particularly vigilant regarding any measures implemented by Mexico that could affect Canadian access. These and a number of other important issues are described in this document's associated database at [www.international.gc.ca/trade-agreements-accords-commerciaux/cimar-rcami/index.aspx?lang=en](http://www.international.gc.ca/trade-agreements-accords-commerciaux/cimar-rcami/index.aspx?lang=en).

## Chapter 6

# Opening Doors to North America

Since 2006, Mexico has reopened its border to Canadian boneless and bone-in beef products from cattle under 30 months of age and has been working with Canada on negotiating access for beef products from animals over 30 months. Canada and Mexico have now also negotiated a protocol for the export of breeding cattle from Canada into Mexico. The Government of Canada will also continue to work with both Mexico and the United States on a coordinated North American approach to the regulatory and trade aspects of BSE.

Following the outbreak of avian flu in Canada in 2004, Canada has been working with Mexico to regain access for Canadian live poultry and poultry products to Mexico.

### **North American Free Trade Agreement**

In January 1994, Canada, the United States and Mexico launched the North American Free Trade Agreement, forming the world's largest free trade area with a marketplace of nearly 440 million potential consumers. In addition to eliminating virtually all tariffs on traded goods originating within the area, NAFTA has provided a framework to support strong growth in trade and investment for all three countries:

- Canada's merchandise trade with its NAFTA partners has increased 122% since 1993, reaching \$598.4 billion in 2006.
- Bilateral trade between Mexico and Canada reached \$22.1 billion in 2007, a 387.6% increase from pre-NAFTA levels (1993).

- NAFTA partners accounted for 80.1% of our total merchandise exports in 2007.
- Approximately 57% of Canada's services exports went to our NAFTA partners in 2005.

North American firms have taken full advantage of rapidly changing patterns in global value chains, with intra-firm trade accounting for 30.3% of Canada-U.S. trade in goods in 2005.

Efforts to further enhance and facilitate Canada's trade and investment partnerships are ongoing. Some highlights are outlined below.

### *Rules of Origin*

Rules of origin (ROOs) enable customs officials to determine which goods are entitled to preferential tariff treatment under NAFTA. Liberalizing the rules gives producers more flexibility in sourcing inputs, making it easier for them to qualify for preferential NAFTA treatment.

In February 2008, the NAFTA Working Group on Rules of Origin concluded negotiations on a third package of changes that would liberalize the rules of origin for a variety of goods representing as much as \$95 billion in trilateral trade. It is expected that the liberalizing amendments will be implemented trilaterally later this year, and work has already begun on a fourth package of changes.

## Chapter 6

# Opening Doors to North America

### *The NAFTA Sectoral Approach*

At the August 2007 NAFTA Commission meeting, the three North American trade ministers committed to continuing to build a more competitive North American business platform that will ease the flow of goods, services and capital among our countries. Specifically, the ministers approved focused work in four key sectors: swine/hogs, steel, consumer electronics and chemicals.

To help North America's swine sector compete more effectively, the trade ministers agreed to develop coordinated approaches to setting standards, regulations and performance objectives; to work on ways to prevent border delays; and to share research. The ministers also agreed to explore the possibility of developing protocols to ensure a predictable, coordinated response within North America in the event of an outbreak of swine-related diseases.

Through the work of the North American Steel Trade Committee, which comprises government and industry representatives, the NAFTA partners regularly exchange information and views on developments and emerging issues in the North American steel market, with the goal of identifying mutually beneficial solutions. The committee is currently undertaking a comprehensive analysis of trade barriers in this industry. Once the analysis is complete, the partners will make recommendations to enhance the competitiveness of North America's steel industry.

To help electronics firms succeed in all three countries, the North American trade ministers agreed to work together to lower barriers to trade in the sector and to ensure it has the tools and market access it needs. The ministers also agreed to work with the trilateral Commission for Environmental Cooperation to explore ways to address the environmental impacts of the disposal of consumer electronics.

With regard to the chemical sector, the trade ministers agreed to facilitate trade by developing a work plan to address trade impediments and to help make this industry more globally competitive and cost-effective.

NAFTA has helped to create new market and partnering opportunities for companies, as well as new and more competitively priced choices for consumers. It has established a strong foundation for our prosperity and has paved the way for the NAFTA partners to further advance their trade liberalization agenda.

### *Settling Disputes Under NAFTA*

NAFTA provides a dispute settlement process to resolve the disputes that inevitably arise in such a large trade and economic relationship. Under NAFTA, our businesses can trade and invest with the assurance that rules are provided to ensure fair treatment and that procedures are in place to settle disputes impartially, on the rare occasions when they occur.



## Chapter 6

# Opening Doors to North America

NAFTA's Chapter 19 on Antidumping and Countervailing Duties offers exporters an effective and direct route for making their case and appealing the results of trade-remedy investigations before an independent and objective panel. NAFTA's Chapter 20 on General Dispute Settlement can be used when the parties cannot, through informal discussions, resolve their differences regarding the implementation or interpretations of NAFTA provisions.

Other dispute settlement provisions under NAFTA include those in Chapters 11 (Investment) and 14 (Financial Services). Chapter 11, in particular, focuses on disputes between investors and NAFTA parties. It offers a mechanism for settling investment disputes that assures both equal treatment among NAFTA investors (in accordance with the principle of international reciprocity) and due process before an impartial tribunal.

A significant case involving Canada as a party was recently resolved. In this case, the claims of the U.S. investor, UPS, were rejected by the arbitration panel. Other cases have involved Canadian investors using the Chapter 11 process against Mexico or the U.S. Examples of these cases include those brought by Glamis Gold, Canadian Cattlemen for Free Trade and Thunderbird.

For more information on NAFTA Chapter 11 investor-state dispute cases, please visit [www.international.gc.ca/trade-agreements-accords-commerciaux/disp-diff/nafta.aspx?lang=en](http://www.international.gc.ca/trade-agreements-accords-commerciaux/disp-diff/nafta.aspx?lang=en). For more information on NAFTA Chapter 20 panel decisions and reports, please visit [www.nafta-sec-alena.org/DefaultSite/index\\_e.aspx?DetailID=76](http://www.nafta-sec-alena.org/DefaultSite/index_e.aspx?DetailID=76).



## CHAPTER 7 Opening Doors to Asia

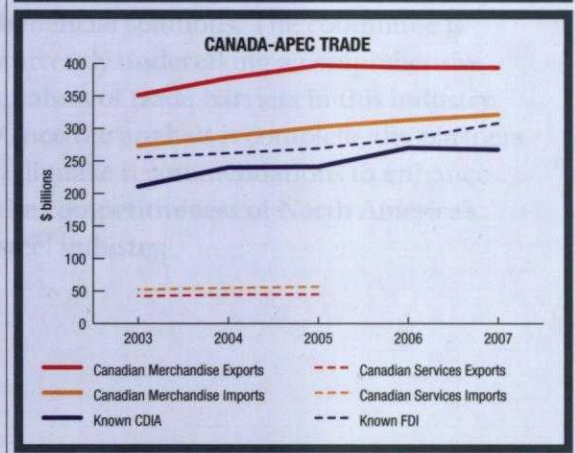
### Asia-Pacific Economic Cooperation

The Asia-Pacific Economic Cooperation (APEC) forum is a unique intergovernmental mechanism encompassing major economies on both sides of the Pacific. Its membership accounts for close to 40% of the world's population and over 50% of global GDP. Since its inception in 1989, APEC member economies' average tariffs have decreased significantly, from 16.6% in 1988 to 6.4% in 2004.<sup>3</sup>

Asian economic integration has been a key priority within Asia since the economic crisis in 1997, and there is some concern this integration will come at the expense of trans-Pacific relationships. Because APEC is the only trans-Pacific, leader-level forum in which Canada participates, Canada needs to use it to engage its Asian partners.

ASIA-PACIFIC ECONOMIC COOPERATION		
	2007	Percentage change since 2006 (%)
Population	2.7 billion	0.7
GDP	\$29.2 trillion	-
Canadian Merchandise exports	\$393.7 billion	-0.1
Canadian Services exports	\$44.9 billion (2005)	-
Canadian Merchandise imports	\$321.6 billion	2.7
Canadian Services imports	\$56.8 billion (2005)	-
Known CDIA	\$267.5 billion	-1.0
Known FDI	\$308.1 billion	8.3

*Note: Services Trade Statistics do not include Brunei Darussalam, Papua New Guinea and Peru.*



<sup>3</sup> Asia-Pacific Economic Cooperation, *APEC at a Glance* [online], 2006, [www.apec.org/apec/publications/all\\_publications/apec\\_secretariat.html](http://www.apec.org/apec/publications/all_publications/apec_secretariat.html).

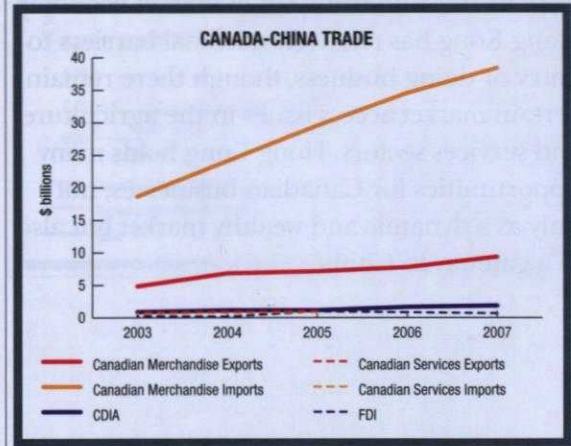


## Chapter 7 Opening Doors to Asia

At the recent APEC Economic Leaders' Meeting in Sydney, Australia, Canada continued to pursue its trade policy objectives, including a successful conclusion of the Doha Round of WTO negotiations and greater market access for Canadian businesses, especially women-owned enterprises. This work—coupled with efforts made by other APEC member countries on transparency within government, intellectual property rights, anti-corruption measures and trade facilitation—has improved prospects for Canadian businesses in the Asia-Pacific region.

### China

	2007	Percentage change since 2006 (%)
Population	1.3 billion	0.5
GDP	\$3.5 trillion	11.4
Canadian Merchandise exports	\$9.3 billion	21.3
Canadian Services exports	\$976 million (2005)	-
Canadian Merchandise imports	\$38.3 billion	11.0
Canadian Services imports	\$819 million (2005)	-
CDIA	\$1.8 billion	14.2
FDI	\$616 million	-



In 2007, China's economy continued to post strong gains, with GDP growing by 11.4% that year. Growth is expected to be moderate in 2008 amid domestic credit tightening, international economic uncertainty and weakening demand in major export markets.

Bilateral trade with Canada continued to increase at a rapid rate, consolidating China's position as Canada's second largest merchandise trading partner. In 2007, China was our third largest merchandise export market, followed by Japan.

Canada and China continue to work together to increase two-way flows of investment. Minister Emerson and Chinese Minister of Commerce Chen Deming agree that the conclusion of a foreign investment promotion and protection agreement (FIPA) is a priority. A FIPA would be to both countries' advantage, encouraging bilateral investment and protecting investors, while preserving the authority of government to regulate investments in the best interests of the public.

China and Canada continue to deepen collaboration in innovation following the Science and Technology Agreement signed in January 2007. Joint projects will be undertaken in four agreed-upon priority sectors (energy, environment, health and life sciences, and agricultural foods and bio-products). As well, two new areas for collaboration have been identified: nanotechnology and information and communications technologies.



## Chapter 7 Opening Doors to Asia

### China and Intellectual Property

China has taken steps to improve its legal framework on intellectual property since its accession to the World Trade Organization in 2001. However, enforcement and protection of intellectual property rights continues to be a concern affecting China's domestic and export markets. This has prompted Canada to join, as a third party, the U.S.-led WTO panel examining China's intellectual property rights regime. Canada also recently announced its participation in preliminary discussions toward a potential anti-counterfeiting trade agreement with like-minded parties including the U.S., Japan, the European Union, Switzerland and Mexico.

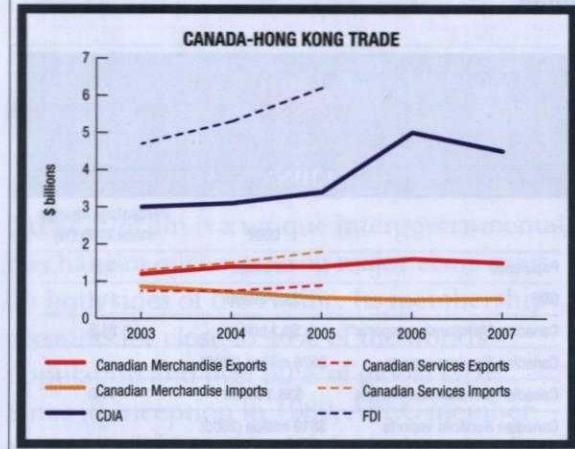
A number of issues continue to impede access to the Chinese market for Canadian businesses, notably import requirements on agricultural and food products. Although progress has been made, some portions of the economy do not operate under market conditions. Furthermore, policies to encourage the development of prominent state-owned and state-controlled enterprises are affecting market access in a number of Chinese domestic sectors and raising worries regarding competition in export markets. For example, a number of Canadian industries have voiced concerns regarding Chinese government subsidies and support for certain Chinese manufacturing sectors (e.g. steel production). Canada, along with other WTO members such as the United States and the European Union, has raised these issues and sought clarification regarding Chinese programs at the WTO and, in the case of steel, at the Organisation for Economic Co-operation and Development.

### Hong Kong



**HONG KONG**

	2007	Percentage change since 2006 (%)
Population	6.98 million	0.9
GDP	\$222.2 billion	6.3
Canadian Merchandise exports	\$1.5 billion	-3.3
Canadian Services exports	\$897 million (2005)	-
Canadian Merchandise imports	\$532.2 million	3.8
Canadian Services imports	\$1.8 billion (2005)	-
CDIA	\$4.5 billion	9.4
FDI	\$6.2 billion (2005)	-



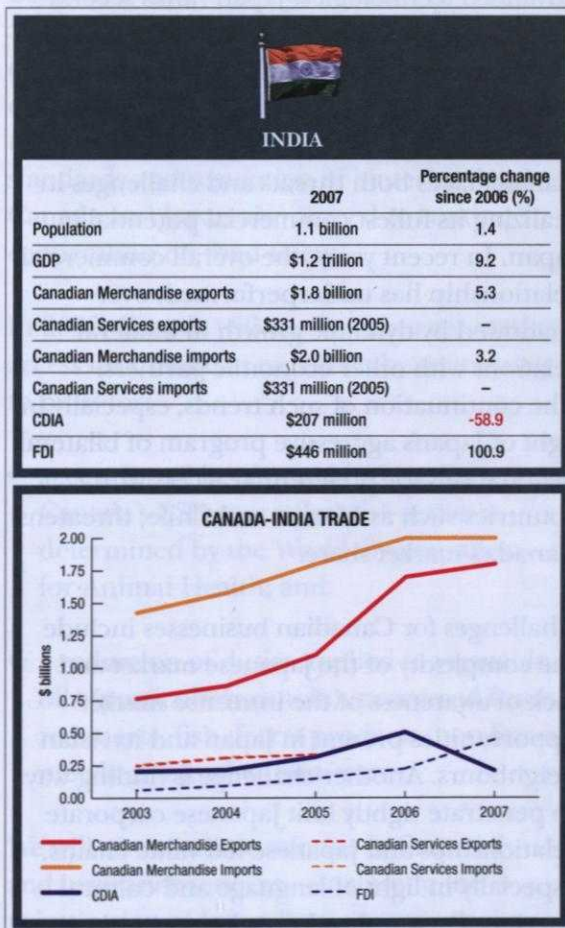
With its free and transparent market economy, Hong Kong has relatively minimal barriers to entry or doing business, though there remain certain market access issues in the agriculture and services sectors. Hong Kong holds many opportunities for Canadian businesses, not only as a dynamic and wealthy market but also as a gateway to China.



## Chapter 7 Opening Doors to Asia

Canada has a particular asset in Hong Kong: over 220,000 people in Hong Kong are of Canadian nationality, and approximately 16% of Hong Kong citizens have studied in Canada.<sup>4</sup> This creates an enormous reservoir of contacts—of people familiar with Canada and open to the idea of doing business with Canadian companies.

### India



Business opportunities in India are virtually unlimited, and the world is taking notice. The world's largest democracy offers huge business potential with its large English-speaking workforce and a middle class expected to reach almost 600 million by 2025.<sup>5</sup> Canadian companies are already finding success in the Indian market, and many more opportunities are emerging for the application of Canadian expertise.

Canada and India have concluded negotiations on a FIPA and are expected to sign in 2008. Once the agreement is signed, investment should increase. Areas of potential for Canadian companies include life sciences, infrastructure, natural resources, and information and communications technologies. Foreign ownership restrictions in India are still prevalent, especially in the financial sector; however, there is an emerging trend toward greater liberalization in India's investment regime. Some sectors, such as infrastructure, are experiencing faster liberalization as India realizes the need for more rapid growth in these sectors.

India's share of foreign direct investment in Canada is very small but increasing: 2007 saw an increase of Indian direct investment into Canada directed toward software development centres, educational technology firms and the telecommunications industry.<sup>6</sup>

Canada remains committed to increasing its access to the Indian market through a variety of initiatives and strategies. For example, the Government of Canada continues to engage

<sup>4</sup> Hong Kong Baptist University Survey, 2007.

<sup>5</sup> McKinsey Global Institute, *The "Bird of Gold": The Rise of India's Consumer Market*, May 2007.

<sup>6</sup> [www.asiapacific.ca/news/chrono\\_search.cfm](http://www.asiapacific.ca/news/chrono_search.cfm).



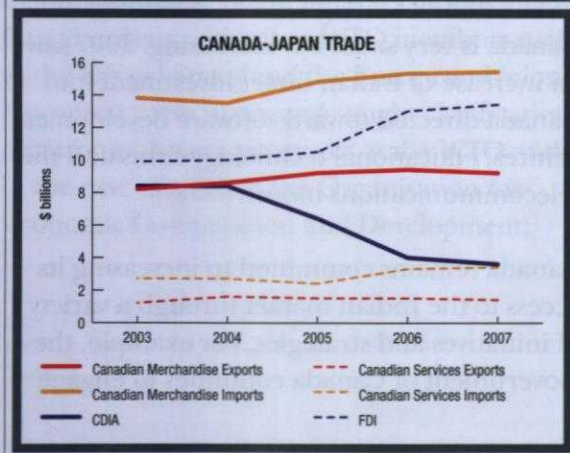
India through annual trade policy consultations, as well as regular technical discussions on market access issues. In February 2008, an Atlantic Gateway mission was launched that aimed to promote the ports of Nova Scotia and existing infrastructure in Atlantic Canada as the fastest route for goods travelling between India and Canada. As well, the Global Commerce Strategy will allow for an expansion of the Trade Commissioner Service in India to better serve its existing clients and attract new Canadian clients to India's vibrant market.

## Japan



**JAPAN**

	2007	Percentage change since 2006 (%)
Population	127.8 million	0.0
GDP	\$4.7 trillion	2.1
Canadian Merchandise exports	\$9.2 billion	-2.5
Canadian Services exports	\$1.4 billion	-
Canadian Merchandise imports	\$15.4 billion	0.8
Canadian Services imports	\$3.4 billion	-
CDIA	\$3.6 billion	-10.3
FDI	\$13.4 billion	3.6



Japan's industrial strength, wealth, political stability and geographic location position it as a global and regional trading hub. Home to 67 Fortune 500 corporations, and the world's largest exporter to China, Japan offers not only a large and lucrative market in itself, but also provides a gateway to the booming North Asian marketplace. Japan has been characterized as the world's most innovative country. As a global leader in a range of advanced technologies, Japan ranks second in total research and development (R&D) expenditures, spending \$130 billion<sup>7</sup> compared with Canada's \$26 billion.

Canada faces both threats and challenges in realizing its fullest commercial potential in Japan. In recent years, the overall commercial relationship has underperformed, overshadowed by dynamic growth in bilateral relations with other economic partners. The continuation of such trends, especially in light of Japan's aggressive program of bilateral negotiations for preferential access with countries such as Mexico and Chile, threatens Canada's market share.

Challenges for Canadian businesses include the complexity of the Japanese market and lack of awareness of the immense market opportunities present in Japan and its Asian neighbours. Another challenge is finding ways to penetrate tightly knit Japanese corporate relationships and Japanese-led value chains, especially in light of language and cultural barriers. Recent slowdowns in economic liberalization, combined with local business practices affecting mergers and acquisitions,

<sup>7</sup> [www.oecd.org/document/26/0,2340,en\\_2649\\_201185\\_37770522\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/26/0,2340,en_2649_201185_37770522_1_1_1_1,00.html).



## Chapter 7 Opening Doors to Asia

have compounded these problems. In addition, a range of non-tariff barriers continue to limit trade in many agri-food and forest products. Such barriers also affect trade in some manufactured products in the automotive, defence, life sciences, and information and communications technology industries.

In January 2008, Canada and Japan agreed during the annual Japan-Canada Joint Economic Committee discussions to establish a regulatory dialogue. Possible topics for collaboration include the following four areas: organics equivalency, mutual recognition for telecommunications equipment, automotive standards and regulation of biotechnology. Canada and Japan also agreed to continue cooperation on food safety.

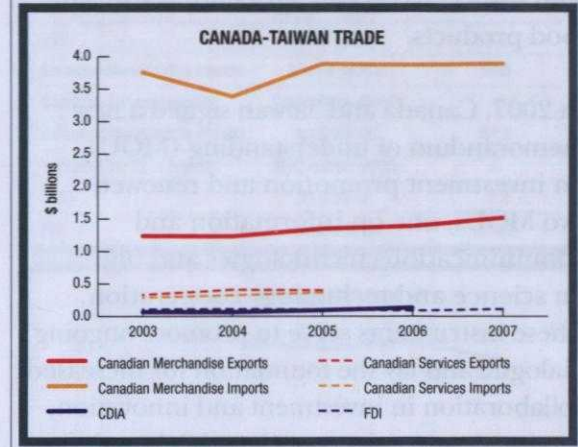
In 2008, Canada will work to improve market access for Canadian exporters by continuing to press for:

- access for all beef products based on Canada's BSE controlled-risk status as determined by the World Organisation for Animal Health; and
- a reduction of duties applied to vegetable oils (particularly canola), processed foods, red meats, fish, forest products, non-ferrous metals and leather footwear.

We will also monitor reforms in financial and insurance services—including the privatization of Japan Post—to ensure that Japan meets its WTO obligations with respect to market access for Canadian firms.

### Chinese Taipei (Taiwan)

	2007	Percentage change since 2006 (%)
Population	23 million	0.9
GDP	\$412 billion	5.7
Canadian Merchandise exports	\$1 520 million	8.9
Canadian Services exports	\$406 million (2005)	-
Canadian Merchandise imports	\$3 895.4 million	0.4
Canadian Services imports	\$371 million (2005)	-
CDIA	\$136 million (2006)	-
FDI	\$114 million	25.3



Taiwan is regarded as one of Asia's economic success stories and a critical player in the global technology supply chain. Taiwan's economy remains highly dependent on trade. The country is a major exporter and investor in the Asia-Pacific region, with a particular focus on China and Southeast Asia. These factors have provided a strong impetus for trade and market liberalization.



## Chapter 7 Opening Doors to Asia


The Canadian merchandise export mix to Taiwan is broad, including commodity goods and raw materials (e.g., nickel, wood pulp and ores), mineral fuel and oil, semi-processed materials (e.g., hides, paper and paperboard, and wood), and manufacturing inputs and high-value technology products (e.g., plastics and electrical machinery).

Although value-added agricultural exports have increased since Taiwan's WTO accession in 2002, there is continuing domestic pressure for protection, as well as a need to improve the transparency of decision making, particularly with respect to certain agricultural and agri-food products.

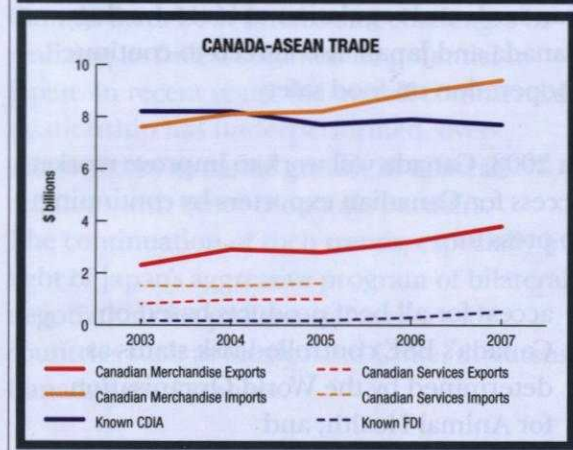
In 2007, Canada and Taiwan signed a new memorandum of understanding (MOU) on investment promotion and renewed two MOUs, one on information and communications technologies and one on science and technology cooperation. These instruments serve to promote ongoing dialogue and lay the foundation for increased collaboration in investment and innovation, two important drivers of Canada's knowledge-based economy.

### Association of Southeast Asian Nations

The Association of Southeast Asian Nations (ASEAN—Brunei Darussalam, Burma, Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand and Vietnam) remains one of the fastest growing economic regions in the world, and its member leaders have agreed to pursue an ASEAN economic community by 2015.

 ASSOCIATION OF SOUTHEAST ASIAN NATIONS (ASEAN)		
	2007	Percentage change since 2006 (%)
Population	574.9 million	1.5
GDP	\$1.4 trillion	-
Canadian Merchandise exports	\$3.8 billion	18.9
Canadian Services exports	\$1.0 billion (2005)	-
Canadian Merchandise imports	\$9.4 billion	5.7
Canadian Services imports	\$1.6 billion (2005)	-
Known CDIA	\$7.7 billion	-2.8
Known FDI	\$521 million	78.4

*Note : Services Trade Statistics do not include Brunei Darussalam, Burma, Cambodia and Laos.*



Canada is currently negotiating a trade and investment framework arrangement with the ASEAN member countries, and is exploring bilateral FIPAs with Indonesia and Malaysia. Responding to the recent developments in Burma, Canada has imposed strict sanctions on investment as well as trade in goods and services with that country. Meanwhile, commercial opportunities with other ASEAN members continue to expand. Through the Global Commerce Strategy, Canada has

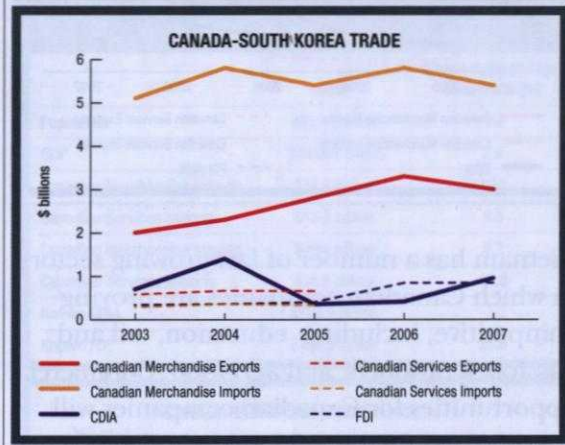


## Chapter 7 Opening Doors to Asia

targeted agriculture and agri-food, services industries and capital projects, oil and gas, mining, and information and communications technologies as priority sectors.

### South Korea

SOUTH KOREA		
	2007	Percentage change since 2006 (%)
Population	48.5 million	0.3
GDP	\$1.0 trillion	5.0
Canadian Merchandise exports	\$3.0 billion	-7.9
Canadian Services exports	\$651 million (2005)	-
Canadian Merchandise imports	\$5.4 billion	-6.9
Canadian Services imports	\$208 million	-
CDIA	\$950 million	132.2
FDI	\$842 million (2006)	-

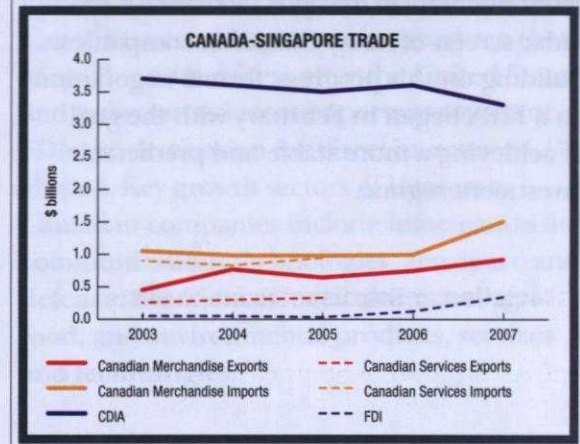


Although often overshadowed by the neighbouring economies of Japan and China, Korea is a significant export market for Canadian goods and services. Korea is also important to Canada as an innovation partner and a gateway to North Asian supply chains. Negotiations toward a Canada-Korea free trade agreement, launched in 2005, are

ongoing. Please see Chapter 4, “Regional and Bilateral Free Trade Agreements and Other Initiatives” for more information. In the meantime, Canadian exporters face a number of access-related issues, including Korea’s ban on Canadian beef exports.

### Singapore

SINGAPORE		
	2007	Percentage change since 2006 (%)
Population	4.6 million	4.3
GDP	\$153.5 billion	7.7
Canadian Merchandise exports	\$913.6 million	23.5
Canadian Services exports	\$324 million (2005)	-
Canadian Merchandise imports	\$1.5 billion	51.3
Canadian Services imports	\$937 million (2005)	-
CDIA	\$3.3 billion	-6.2
FDI	\$340 million	188.1



Historically, Singapore has been a country of great interest to Canadian businesses, both as a destination for exports and investment, and as a gateway to other Asian markets. A bilateral free trade agreement is currently under negotiation that would increase Canada’s



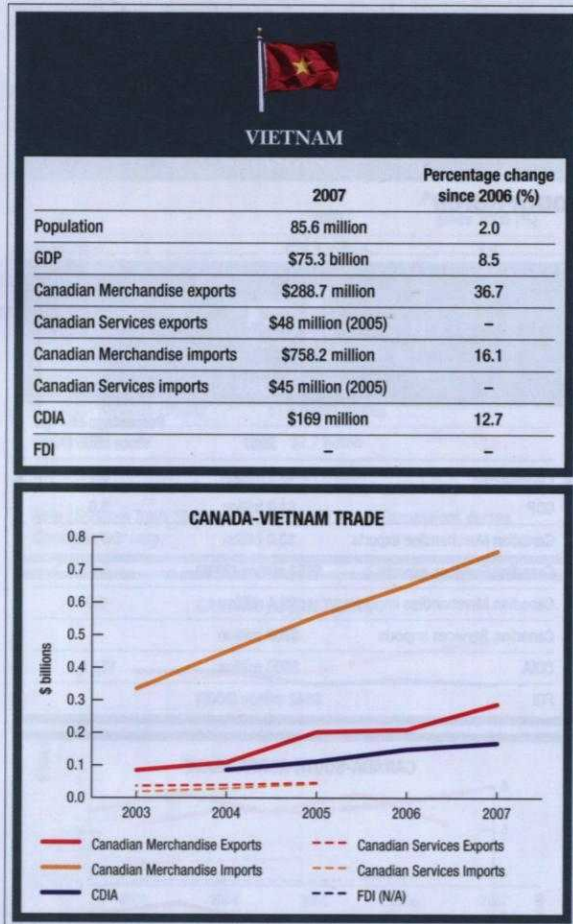
## Chapter 7 Opening Doors to Asia

presence and profile in the region while facilitating trade in goods and services. For more information, please see Chapter 4, “Regional and Bilateral Free Trade Agreements and Other Initiatives.”

Singapore remains one of Canada’s primary destinations for direct investment in Asia. In addition, the air services sector has received significant support through the recent conclusion of an air services agreement. Other opportunities for Canadian companies continue to be abundant, especially in environmental industries and services, information and communications technologies, aerospace, biotechnology and agri-food.

### Vietnam

Vietnam is a Southeast Asian success story. Its strategic location, coupled with promising economic reform, has put Vietnam on the radar screen of many Canadian companies. Building on this progress, formal negotiations on a FIPA began in February with the goal of achieving a more stable and predictable investment regime.



Vietnam has a number of fast-growing sectors in which Canadian companies are proving competitive, including education, oil and gas, forest products and agri-food. Commercial opportunities for Canadian companies will continue to emerge as Vietnam becomes a regional strategic hub for trade and investment.

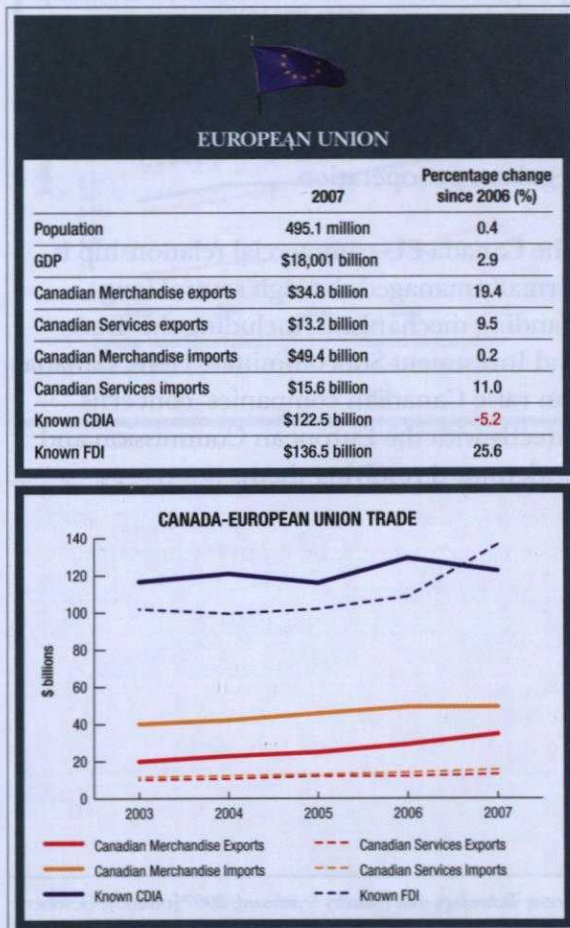




## CHAPTER 8 Opening Doors to Europe

### European Union

Comprising 27 member states, the European Union is the world's largest single market, foreign investor and trader. The EU represents Canada's second largest trading partner (both in goods and services) after the United States, and is the second most important source of FDI and destination for direct investment abroad. Key growth sectors of interest to Canadian companies include information and communications technologies, aerospace and defence, life sciences, agriculture and agri-food, and environmental products, services and technologies.



## Chapter 8

# Opening Doors to Europe

For Canada, the EU is a key partner in science and technology (S&T) and our second most important source of new technologies—helping to further Canada’s goal of becoming a world-leading knowledge-based economy. The EU produces over a third of the world’s scientific publications and some 20% of its patents. It is the top producer of technology in the Organisation for Economic Co-operation and Development (OECD).<sup>8</sup> S&T cooperation is enabled by government-level agreements as well as agreements between Canadian and European S&T-oriented institutions and businesses.

Although the large EU market offers important commercial opportunities for Canada, it also presents certain challenges. Among these are restrictions by some member states on mergers and acquisitions, market distortions in agriculture, uneven harmonization of regulations among member states, and a number of EU-imposed bans and restrictions related to health, environmental and consumer protection concerns.

At the 2007 Canada-EU Summit, leaders agreed to cooperate on a study to assess the benefits of a closer economic partnership and committed to reviewing its results at the 2008 Summit, with a view to pursuing closer future economic integration. Canada and the EU also committed to concluding a regulatory cooperation agreement as soon as possible, and agreed to open negotiations toward a Canada-EU comprehensive air services agreement to improve links between their respective aviation markets.

Canada and the EU have in place a Framework on Regulatory Cooperation and Transparency (signed in December 2004). The Framework is implemented by the Canada-EU Roadmap for Regulatory Cooperation, adopted by leaders at the June 2007 Canada-EU Summit in Berlin. The Roadmap advances new and existing sector-specific, agreed-upon areas of regulatory cooperation.

The Canada-EU commercial relationship is formally managed through several long-standing mechanisms, including the Trade and Investment Subcommittee. Here, Canada can raise Canadian companies’ concerns directly with the European Commission and work toward resolving them.

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<sup>8</sup> Organisation for Economic Co-operation and Development, *OECD Science, Technology, and Industry Scoreboard, 2007* [online], October 2007, <http://caliban.sourceoecd.org/vl=7342151/cl=20/nw=1/rpsv/sti2007/>.

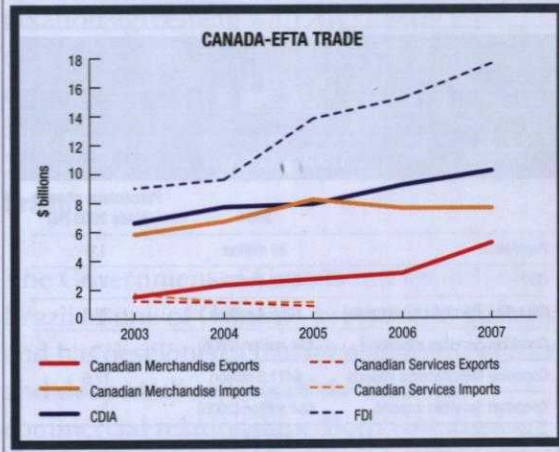


## Chapter 8 Opening Doors to Europe

### European Free Trade Association

	2007	Percentage change since 2006 (%)
Population (includes Liechtenstein)	12.5 million	0.8
GDP	\$891 billion	-
Canadian Merchandise exports	\$5.2 billion	67.1
Canadian Services exports	\$840 million (2005)	-
Canadian Merchandise imports	\$7.6 billion	0.3
Canadian Services imports	\$1.1 billion (2005)	-
CDIA	\$10.2 billion	10.3
FDI	\$17.6 billion	15.8

*Note : Trade in services figures only includes Norway and Switzerland. FDI statistics exclude Iceland and CDIA excludes Liechtenstein.*



The European Free Trade Association countries of Iceland, Liechtenstein, Norway and Switzerland are developed, modern economies that offer state-of-the-art technology as well as significant potential markets for Canadian firms. The EFTA region is the world's 16th largest trader in merchandise goods, and its members have some of the highest GDPs per capita in the world, ranking among the top 10 countries.<sup>9</sup> For more information on the EFTA free trade agreement, please see Chapter 4, "Regional and Bilateral Free Trade Agreements and Other Initiatives."

<sup>9</sup> These statistics exclude Liechtenstein.





## CHAPTER 9 Opening Doors to Latin America and the Caribbean

### Re-engaging Relationships Throughout the Americas

In early 2007, Prime Minister Harper declared that "Canada will seek to re-engage relationships throughout the Americas." Under this renewed mandate, Canada's objective is to engage our Latin American and Caribbean neighbours proactively and creatively.

### Argentina

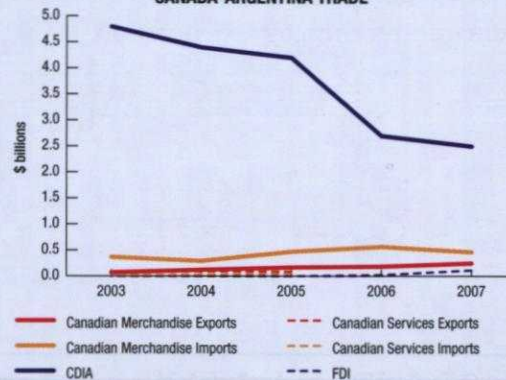
Argentina is a commercial partner of increasing importance to Canada, offering diverse opportunities to Canadian exporters and investors. Its economy has largely recovered from the financial crisis of 2001 due in large part to a 117% surge in global exports between 2002 and 2007, according to Argentine statistics.



#### ARGENTINA

	2007	Percentage change since 2006 (%)
Population	39 million	1.0
GDP	\$279.4 million	8.7
Canadian Merchandise exports	\$255.4 million	32.8
Canadian Services exports	\$94 million (2005)	-
Canadian Merchandise imports	\$471.5 million	17.6
Canadian Services imports	\$54 million (2005)	-
CDIA	\$2.5 billion	-8.3
FDI	\$119 million	310.3

#### CANADA-ARGENTINA TRADE





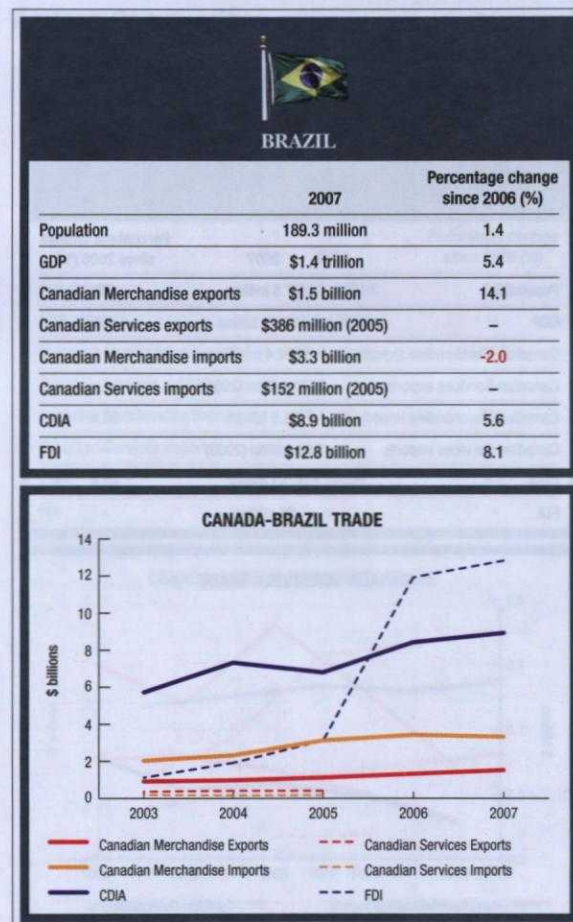
## Opening Doors to Latin America and the Caribbean

Argentina now ranks as Canada's seventh largest trading partner in Latin America and the Caribbean (excluding Mexico). Canadian merchandise exports to Argentina have grown a remarkable 482% in the past five years and have now rebounded to their pre-crisis average. Principal exports are telecommunications equipment, power plant and drilling equipment, nuclear reactor parts and uranium oxide. Canada's most significant imports from Argentina are gold, iron and steel products, wine, pharmaceuticals and fruit.

Argentina also ranks as seventh largest destination for Canadian direct investment in the region. Canada has a FIPA and a double taxation agreement with Argentina, and continues to advocate on behalf of Canadian companies active in the country to ensure fair and equitable treatment.

### Brazil

The Government of Canada has identified Brazil as one of Canada's key markets globally, and has developed a market plan to strengthen and deepen all aspects of the bilateral commercial relationship. Both countries are collaborating on a range of initiatives, among them the OECD Aircraft Sector Understanding on Export Financing, an air services agreement, a science and technology cooperation agreement, the Consultative Committee on Agriculture, and a joint WTO challenge of U.S. agricultural subsidies.



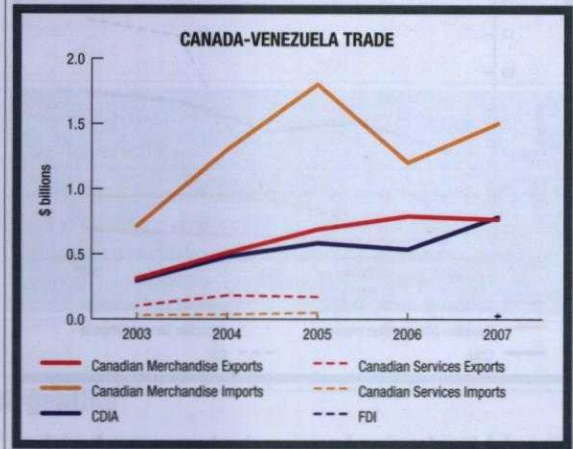
A world leader in the agro-industry and with extensive natural resources, Brazil is a rapidly developing and stable economy that continues to grow. Brazil's highly diversified and industrialized economy is the largest in Latin America and is ranked by the International Monetary Fund as the 10th largest globally. In 2007, Brazil had the largest GDP in South America and third largest in the hemisphere. With annual economic growth expected to average 4.3% over the period to 2010, Brazil represents more than 80% of Mercosur's economy.



## Chapter 9 Opening Doors to Latin America and the Caribbean

### Venezuela

VENEZUELA		
	2007	Percentage change since 2006 (%)
Population	27.5 million	2.0
GDP	\$254.1 billion	2.8
Canadian Merchandise exports	\$764.4 million	-3.1
Canadian Services exports	\$170 million (2005)	-
Canadian Merchandise imports	\$1.5 billion	22.4
Canadian Services imports	\$48 million (2005)	-
CDIA	\$783 million	46.4
FDI	\$5 million	-

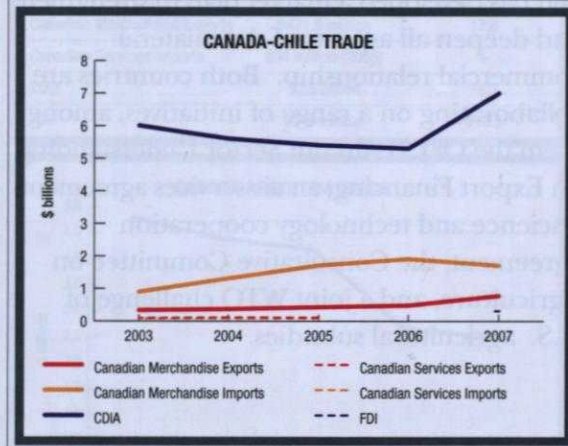


On December 9, 2005, Mercosur initiated the process that would allow Venezuela to become a member of the bloc. As part of this process, Venezuela served notice of its intention to withdraw from the Andean Community on April 22, 2006. Venezuela will continue to benefit from some advantages under the Andean Community's liberalization program for five years following withdrawal.

One of Canada's priorities for Venezuela will be to continue representations aimed at eliminating discretionary import licensing. Venezuela's lack of transparency in the issuance of import permits for certain food products such as potatoes and pork remains a major barrier to trade. Canada has signed a FIPA and a double taxation agreement with Venezuela, which have been in effect since 1998 and 2005, respectively.

### Chile

CHILE		
	2007	Percentage change since 2006 (%)
Population	16.6 million	1.2
GDP est.	\$176.0 billion	5.0
Canadian Merchandise exports	\$768.7 million	62.5
Canadian Services exports	\$96 million (2005)	-
Canadian Merchandise imports	\$1.7 billion	9.6
Canadian Services imports	\$68 million (2005)	-
CDIA	\$7.0 billion	19.0
FDI	\$27 million	-





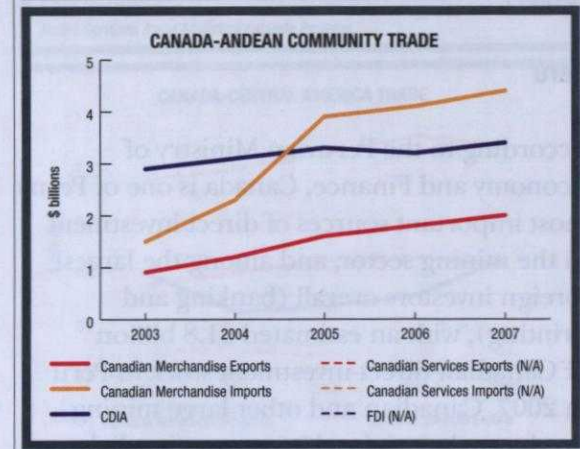
## Opening Doors to Latin America and the Caribbean

In 2007, Canada and Chile celebrated the 10th anniversary of the Canada-Chile Free Trade Agreement (CCFTA). The CCFTA is the cornerstone of our important commercial relations with Chile, one of the most open and stable economies in the region. Given Chile's extensive network of free trade agreements, many Canadian companies consider that market to be a gateway to regional markets. Two-way merchandise trade has more than tripled since 1997,<sup>10</sup> and Chile ranks second in the region only to Brazil as a destination for Canadian merchandise exports. According to Chilean data, Canada has been the largest source of new direct investment in Chile in each of the past three years, and remains the third largest source of accumulated investment behind the U.S. and Spain.

Negotiations on new CCFTA chapters on government procurement and financial services have been concluded and await ratification. The Canada-Chile Partnership Framework, signed in July 2007 by Prime Minister Harper and Chile's President Bachelet, encourages both countries to conclude memorandums of understanding on S&T cooperation and bilateral investment promotion.

### Andean Community

	2007	Percentage change since 2006 (%)
Population	126.6 million	1.7
GDP estimate	\$613.4 billion	-
Canadian Merchandise exports	\$2.0 billion	13.7
Canadian Services exports	-	-
Canadian Merchandise imports	\$4.4 billion	7.0
Canadian Services imports	-	-
CDIA	3.4 billion	9.1
FDI	-	-



Canada has held four negotiating rounds with Peru and Colombia, and has successfully concluded talks with Peru. For more information, please see Chapter 4, "Regional and Bilateral Free Trade Agreements and Other Initiatives." Colombia and Peru have completed FTA negotiations with the United States, Canada's main commercial competitor in the region. The U.S.-Peru FTA has been ratified.

<sup>10</sup> As the CCFTA entered into force in 1997, 1996 is used as the base year.



## Chapter 9

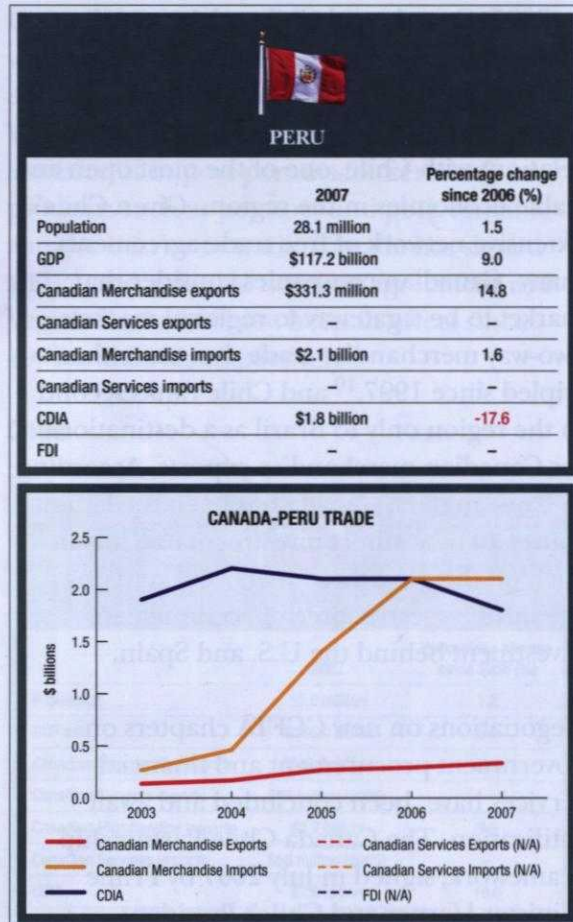
# Opening Doors to Latin America and the Caribbean

Canada's priorities for the Andean Community countries in 2008 include pressing for the resumption of trade in beef and cattle from Canada. Canada will also continue to seek market access to the countries of the Andean region under the General Agreement on Trade in Services (GATS) at the WTO.

Canada signed a trade and investment cooperation arrangement with the Andean Community in 1999, and has FIPAs in place with Ecuador (1997) and Peru (June 2007). Canada has double taxation agreements with Ecuador (2001), Peru (2003) and Venezuela (2004).

### Peru

According to the Peruvian Ministry of Economy and Finance, Canada is one of Peru's most important sources of direct investment in the mining sector, and among the largest foreign investors overall (banking and printing), with an estimated \$1.8 billion of Canadian direct investment stock in Peru in 2007. Canadian and other large mining producers have joined in a proactive dialogue with the government, opposition leaders and other stakeholders in an effort to raise awareness about their commitment to social responsibility and sound environmental practices and their important contribution to the Peruvian economy.

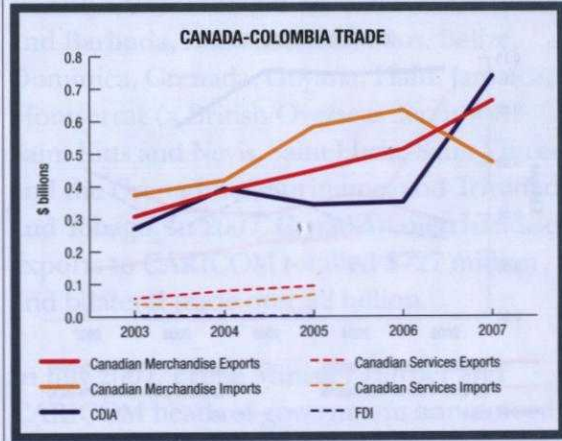




## Opening Doors to Latin America and the Caribbean

### Colombia

COLOMBIA		
	2007	Percentage change since 2006 (%)
Population	47.5 million	1.6
GDP est.	\$184.4 billion	7.0
Canadian Merchandise exports	\$662.2 million	29.0
Canadian Services exports	\$94 million (2005)	-
Canadian Merchandise imports	\$473.4 million	-25.3
Canadian Services imports	\$67 million (2005)	-
CDIA	\$739 million	110.5
FDI	\$4 million	-

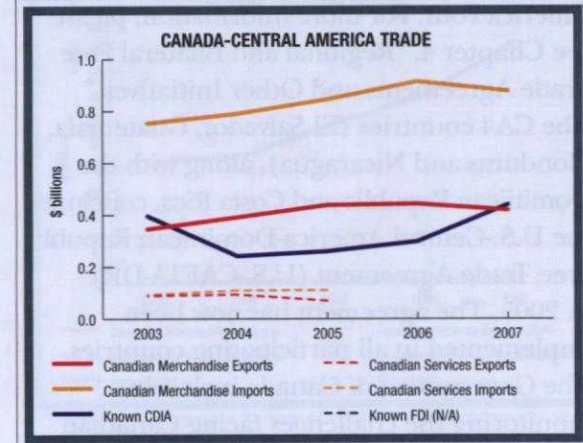


Colombia has undertaken major reforms of legislation and policies governing competition and investment to ensure a stable and predictable business climate. It also continues to reduce the role of government in its economy and to encourage private sector participation, particularly in oil and gas and in mining. Canada is currently negotiating a double taxation agreement with Colombia, and investment provisions modelled on our FIPA are a part of the FTA negotiations with that country.

### Central America

CENTRAL AMERICA*		
	2007	Percentage change since 2006 (%)
Population	41.8 million	2.2
GDP estimate	\$126.9 billion	-
Canadian Merchandise exports	\$419.0 million	-5.4
Canadian Services exports	\$70 million (2005)	-
Canadian Merchandise imports	\$877.3 million	-4.0
Canadian Services imports	\$111 million (2005)	-
Known CDIA	\$440 million	47.7
Known FDI	-	-

\* Excludes Mexico.  
Note: Services Trade Statistics exclude Panama.



Canada's commercial and investment interests in the region are primarily in agriculture, food and beverages, mining, environmental services, construction and building products, services industries and capital projects. Guatemala has the broadest economic base and is the largest economy in Central America: in 2007, Guatemala imported 30.7% of total Canadian merchandise exports to this region.



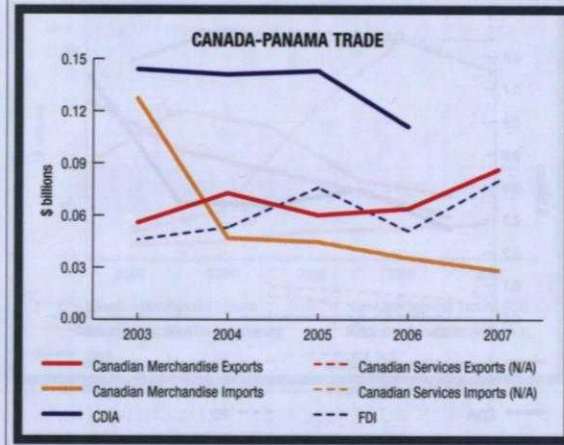
## Opening Doors to Latin America and the Caribbean

The Canada-Costa Rica Free Trade Agreement (CCRFTA) entered into force on November 1, 2002. Under the CCRFTA, approximately 83% of Canada's exports to Costa Rica benefit from duty-free access (72% of Canadian agricultural exports and 89% of non-agricultural exports).<sup>11</sup> Between 2002 and 2007, two-way merchandise trade increased by 39.2% (from \$324 million to \$451 million). The CCRFTA provides for the progressive and asymmetrical elimination of tariffs, demonstrating that it is possible to take into account differences in the levels of development and size of free trade partners.

Canada remains committed to concluding a free trade agreement with the Central America Four. For more information, please see Chapter 4, "Regional and Bilateral Free Trade Agreements and Other Initiatives." The CA4 countries (El Salvador, Guatemala, Honduras and Nicaragua), along with the Dominican Republic and Costa Rica, concluded the U.S.-Central America-Dominican Republic Free Trade Agreement (U.S.-CAFTA-DR) in 2005. The agreement has now been implemented in all participating countries. The Government of Canada is closely monitoring the challenges facing Canadian companies in the CA4 markets and continues to work toward ensuring a level playing field.

### Panama

	2007	Percentage change since 2006 (%)
Population	3.343 million	1.8
GDP	21.216 billion	11.2
Canadian Goods exports	86.381 million	35.3
Canadian Services exports	-	-
Canadian Goods imports	28.665 million	-19.2
Canadian Services imports	-	-
CDIA	-	-
FDI	80 million	56.9



Panama's services-based economy grew by more than 11.2% in 2007, giving it the highest growth rate in Latin America and the Caribbean.<sup>12</sup> The Panama Canal expansion, which will double the Canal's size to accommodate the super "post-Panamax" ships, is a US\$5.3-billion project that began in 2007 and is expected to be finished by 2014.

<sup>11</sup> Global Trade and Information Services, *World Trade Atlas*, 2007.

<sup>12</sup> [www.contraloria.gob.pa/archivos\\_informesdelc/InformeContralor2007/3.htm](http://www.contraloria.gob.pa/archivos_informesdelc/InformeContralor2007/3.htm)



## Chapter 9 Opening Doors to Latin America and the Caribbean

The Panama Canal Authority estimates that the expansion will boost GDP by an average of 5% annually over the next 20 years, and that it will play a major role in transforming Panama into a global logistical services platform.<sup>13</sup> Canada recently announced its intention to explore an FTA with Panama. Free trade negotiations between Panama and the United States have been completed and are awaiting U.S. congressional approval.

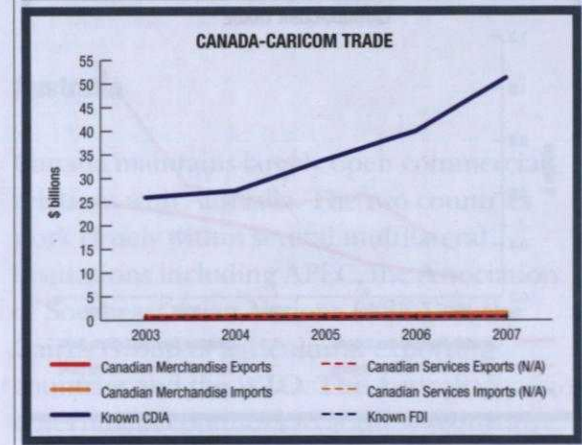
### CARICOM

The 15-member Caribbean Community (CARICOM) trading bloc includes Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat (a British Overseas Territory), Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, and Trinidad and Tobago. In 2007, Canadian merchandise exports to CARICOM totalled \$727 million and bilateral trade over \$2 billion.

In July 2007, Prime Minister Harper and CARICOM heads of government announced the launch of negotiations toward a comprehensive FTA. For more information, please see Chapter 4, “Regional and Bilateral Free Trade Agreements and Other Initiatives.”

	2007	Percentage change since 2006 (%)
Population	15.4 million	1.3
GDP estimate	\$54.8 billion	-
Canadian Merchandise exports	\$726.9 billion	8.6
Canadian Services exports	-	-
Canadian Merchandise imports	\$1.5 billion	25.5
Canadian Services imports	-	-
Known CDIA	\$51.2 billion	28.4
Known FDI	\$644 million	-1.8

\* CARICOM (Antigua & Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, St. Kitts, St. Lucia, St. Vincent, Suriname & Trinidad & Tobago) (GDP and population excludes Montserrat)



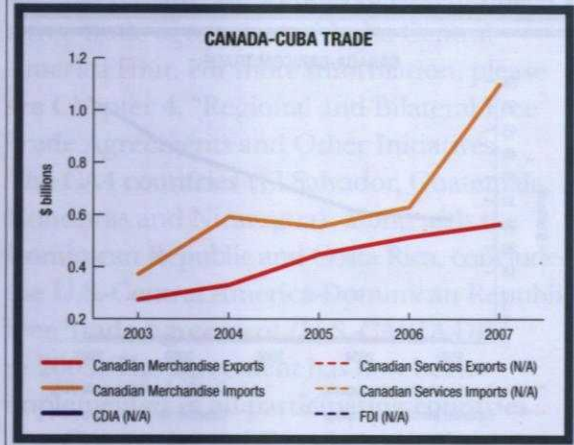
<sup>13</sup> [www.pancanal.com/eng/plan/documentos/propuesta/acp-expansion-proposal.pdf](http://www.pancanal.com/eng/plan/documentos/propuesta/acp-expansion-proposal.pdf)



## Opening Doors to Latin America and the Caribbean

### Cuba

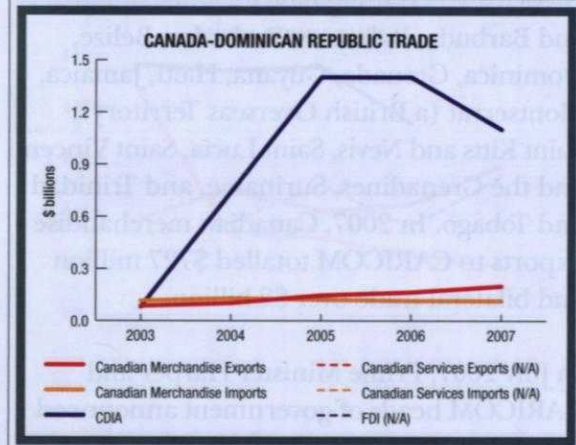
	2007	Percentage change since 2006 (%)
Population	11.2 million (year-end estimate)	0.0
GDP	\$48.9 billion	6.5
Canadian Merchandise exports	\$563.4 million	9.8
Canadian Services exports	-	-
Canadian Merchandise imports	\$1.1 billion	68.8
Canadian Services imports	-	-
CDIA	-	-
FDI	-	-



Cuba is Canada's largest merchandise export market in the Caribbean and Central America, with Canadian exports to Cuba totalling \$563 million in 2007. Although the Cuban business environment is complex, it offers many opportunities for Canadian firms. Canada remains opposed to the extra-territorial application of U.S. law. In 1985, Canada enacted the *Foreign Extraterritorial Measures Act* to prohibit foreign states from implementing measures that infringe on Canadian sovereignty and adversely affect Canadian international trade.

### Dominican Republic

	2007	Percentage change since 2006 (%)
Population	8.8 million	1.4
GDP	\$39.1 billion	8.5
Canadian Merchandise exports	\$198.1 million	21.3
Canadian Services exports	-	-
Canadian Merchandise imports	\$113.4 million	-0.7
Canadian Services imports	-	-
CDIA	\$1.1 billion	-16.6
FDI	-	-



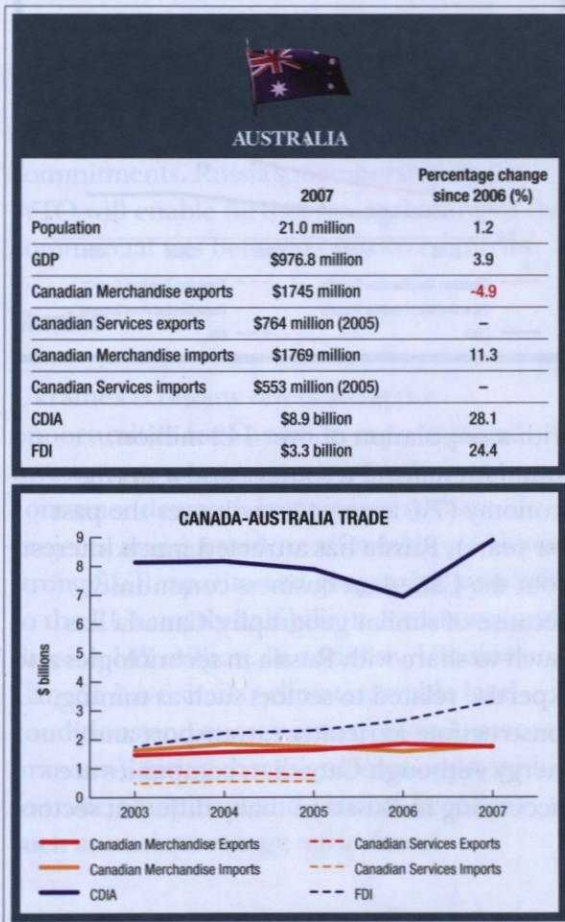
The Dominican Republic is Canada's fourth largest merchandise export market in the Caribbean region and one of the fastest growing duty-free manufacturing zones. In June 2007, Canada announced the launch of FTA negotiations with the Dominican Republic. For more information, please see Chapter 4, "Regional and Bilateral Free Trade Agreements and Other Initiatives."





## CHAPTER 10

### Opening Doors in Other Key Markets



#### Australia

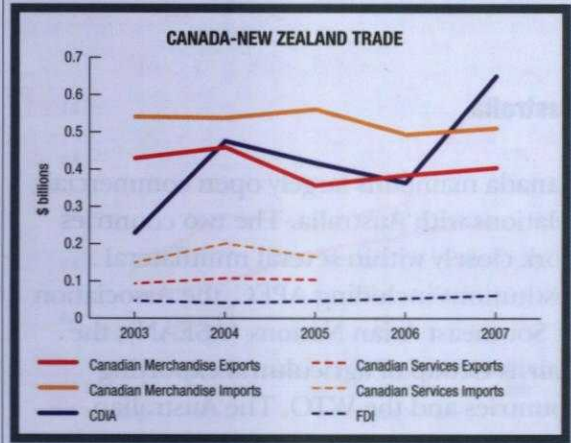
Canada maintains largely open commercial relations with Australia. The two countries work closely within several multilateral institutions including APEC, the Association of Southeast Asian Nations (ASEAN), the Cairns Group of agricultural exporting countries and the WTO. The Australian government continues to address regulatory and standards issues that arise by working to comply with internationally recognized standards. Canada's Global Commerce Strategy has highlighted agri-food and beverages, environmental industries, health industries, information and communications technologies, and services industries for their growth potential in the Tasman region.



## Chapter 10 Opening Doors in Other Key Markets

### New Zealand

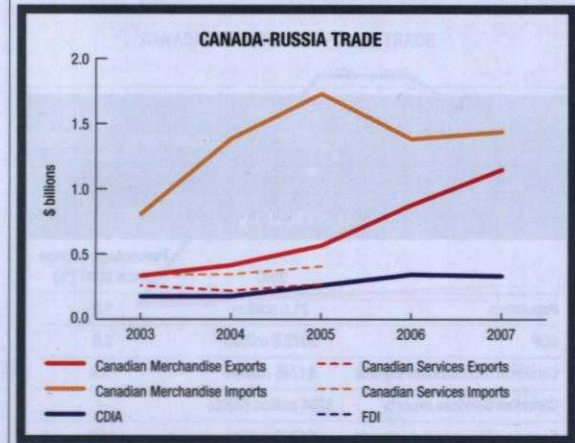
NEW ZEALAND		
	2007	Percentage change since 2006 (%)
Population	4.2 million	1.0
GDP	\$137.7 billion	3.0
Canadian Merchandise exports	\$404 million	5.3
Canadian Services exports	\$104 million (2005)	-
Canadian Merchandise imports	\$510 million	3.4
Canadian Services imports	\$165 million (2005)	-
CDIA	\$650 million	78.6
FDI	\$62 million	14.8



Canada and New Zealand have generally straightforward commercial relations and continue to work together within the multilateral frameworks of APEC, ASEAN, the Cairns Group and the WTO. Sectors of particular interest, in the context of Canada's Global Commerce Strategy, are environmental industries, bio-industries, and information and communications technologies, where opportunities for Canadian businesses are rapidly expanding.

### Russia

RUSSIA		
	2007	Percentage change since 2006 (%)
Population	142.102 million	-0.5
GDP	1 386.019 billion	8.1
Canadian Goods exports	1 147.601 million	31.1
Canadian Services exports	269 million (2006)	-
Canadian Goods imports	1 437.041 million	4.0
Canadian Services imports	407 million (2005)	-
CDIA	333 million	-3.2
FDI	160 million	-



With a population of over 142 million, abundant natural resources and a strong economy (7% average growth over the past five years), Russia has attracted much interest from the Canadian business community. Because of similar geography, Canada has much to share with Russia in technologies and expertise related to sectors such as mining, construction, agriculture, transport and energy. Although Canadian companies are succeeding in Russia in many different sectors,

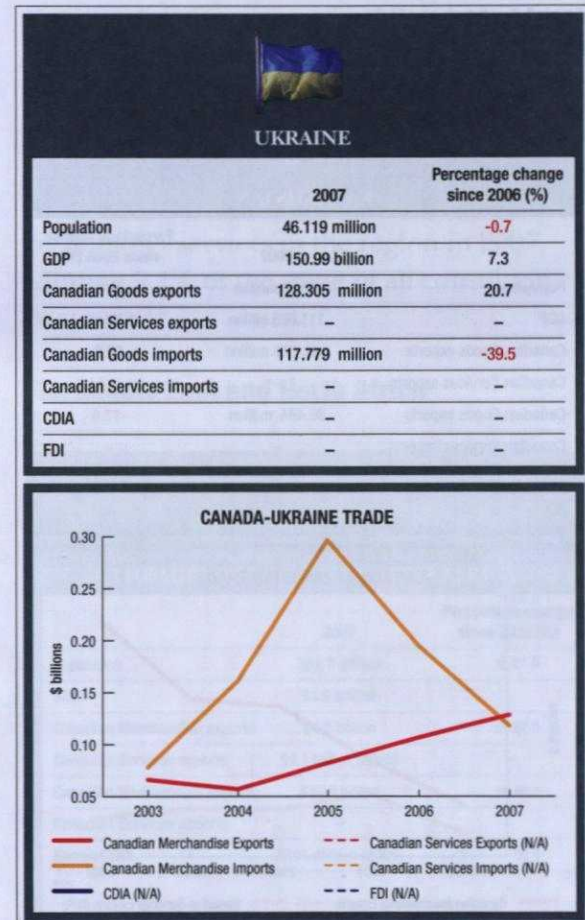


many point to difficulties in obtaining permits, licences and other government approvals in a timely fashion. The Russian government is increasing its ownership in strategic sectors, and Canadian investors need to be aware of this. In order to offer Canadian investors greater assurance, Canadian officials are working with Russian counterparts to explore the possibility of upgrading our current FIPA.

Russia has successfully concluded the majority of its bilateral negotiations with individual WTO members, including Canada (in December 2005). However, it has yet to complete the WTO multilateral working party process. The pace and intensity that Russia brings to this effort will largely determine the timing of its accession to the WTO. Canada looks forward to Russia completing its final negotiations and meeting its accession commitments. Russia's membership in the WTO will enable further strengthening of the commercial ties between our two countries.

### Ukraine

Ukraine's economy offers attractive opportunities for Canadian exporters and investors: strong economic growth, high consumer demand, large infrastructure projects, an educated yet affordable workforce, strong S&T capacity, and geographic proximity to the EU's nearly half billion consumers and Russia's 142 million. In addition, Ukraine and Canada have similar climates, arable land conditions and energy resources (oil, gas and uranium), giving them significant opportunities to trade equipment and services in sectors such as nuclear energy, agriculture,



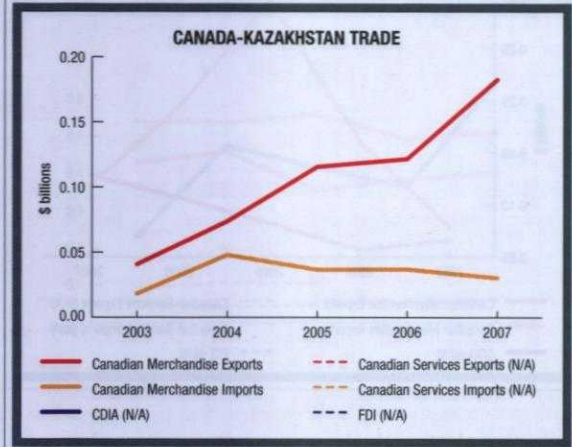
construction, aviation, resource extraction and energy generation. Canada's large Ukrainian community (1.2 million persons) represents another advantage.

Canada concluded bilateral WTO accession negotiations with Ukraine in February 2002. On February 5, 2008, the General Council approved Ukraine's accession package, paving the way for Ukraine to ratify the terms of membership and become a full WTO member. Ukraine became the 152nd member of the WTO on May 16, 2008.



### Kazakhstan

KAZAKHSTAN		
	2007	Percentage change since 2006 (%)
Population	15.12 million	0.1
GDP	111.605 billion	8.5 (est)
Canadian Goods exports	182.773 million	50.0
Canadian Services exports	-	-
Canadian Goods imports	30.494 million	-17.8
Canadian Services imports	-	-
CDIA	-	-
FDI	-	-



Kazakhstan is strategically located for trade between the Far East, the Middle East, Russia and Europe. It is also playing an increasingly important role in regional energy supply as it possesses some of the world's largest reserves of uranium, oil and gas. The natural resources sector has spurred very strong economic growth (about 9.6% annually on average during the past five years), which has extended to the telecommunications, banking and construction sectors. Canada is an important investor in the country, mostly in the extractive industries.<sup>14</sup>

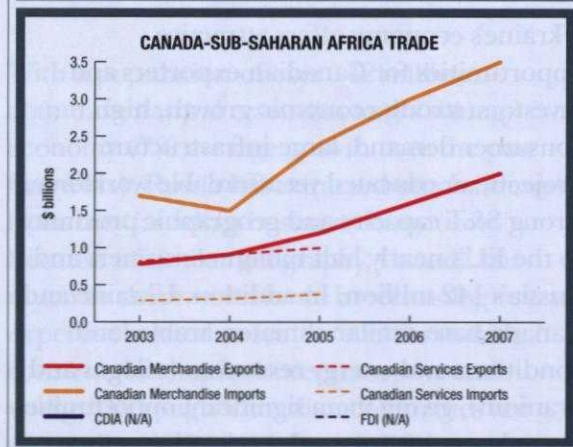
Canadian companies have also been successful in exporting agricultural equipment, and new opportunities are being realized in livestock.

Canada concluded bilateral WTO accession negotiations with Kazakhstan in February 2008. Before acceding to the WTO, Kazakhstan will need to conclude bilateral negotiations with other interested members and complete the WTO multilateral working party process.

### Sub-Saharan Africa

SUB-SAHARAN AFRICA		
	2007	Percentage change since 2006 (%)
Population (est)	774.1 million	2.4
GDP (est)	\$904.7 billion	-
Canadian Merchandise exports	\$2.0 billion	25.7
Canadian Services exports	\$1.0 billion (2005)	-
Canadian Merchandise imports	\$3.5 billion	17.4
Canadian Services imports	\$375 million (2005)	-
CDIA	-	-
FDI	-	-

*Note: Population and GDP do not include Somalia*



<sup>14</sup> [www.nationalbank.kz/cont/publish121689\\_4423.xls](http://www.nationalbank.kz/cont/publish121689_4423.xls)



Sub-Saharan Africa consists of 48 countries that vary widely in population, land area, geography, natural resources, stage of development and political stability.

Canada's trade relationship with countries in Sub-Saharan Africa continues to grow, although the bulk of two-way trade takes place with just a small number of these countries. South Africa is Canada's largest trading partner in Sub-Saharan Africa, with bilateral merchandise trade reaching \$1.8 billion in 2007. Angola is Canada's second largest commercial partner in the region, with bilateral trade reaching nearly \$1.3 billion last year.

Canadian exports to the region remain concentrated in cereals, motor vehicles, infrastructure-related machinery and aircraft.

Canadian investments are concentrated in the minerals and metals sector, where Canada is the largest foreign investor and second largest investor after South Africa. Estimates from Natural Resources Canada indicate that Canadian mining companies have invested about \$8 billion in Africa.

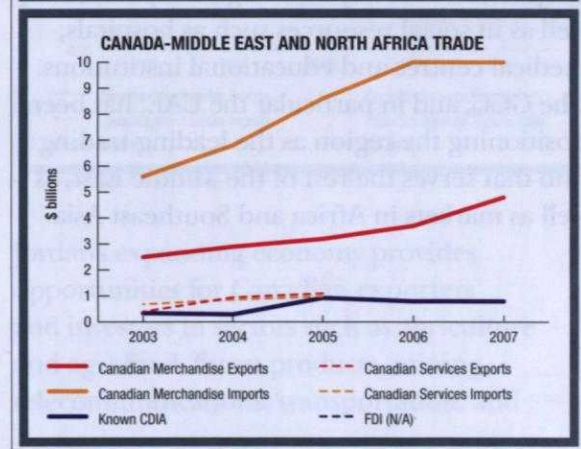
Between 2000 and 2006, 366 contracts valued at US\$216 million were awarded to approximately 120 Canadian firms and individuals under projects financed by the World Bank and the African Development Bank. Canadian firms have been most successful in winning consultancy services contracts, with less success in goods and equipment supply and in construction works.

Engineering firms accounted for almost 60% of all contracts awarded to Canadian firms in Africa, followed by management consulting firms, which secured 13% of all contracts. According to the most recent statistics, Canada became the second largest provider of consultancy services in the region in 2007, winning 9.4% of the value of all consulting contracts.<sup>15</sup>

### The Middle East and North Africa

THE MIDDLE EAST AND NORTH AFRICA		
	2007	Percentage change since 2006 (%)
Population	363.7 million	2.1
GDP	\$1.9 trillion	-
Canadian Merchandise exports	\$4.8 billion	29.5
Canadian Services exports	\$1.1 billion (2005)	-
Canadian Merchandise imports	\$10.0 billion	-0.1
Canadian Services imports	-	-
Known CDIA	\$801 million (2006)	-
FDI	-	-

*Note : Services trade statistics also include Armenia, Azerbaijan and Georgia.*



<sup>15</sup> [www.afdb.org/pls/portal/docs/PAGE/ADB\\_ADMIN\\_PG/DOCUMENTS/PROJECT-RELATED-PROCUREMENT/STATISTICS%20BY%20COUNTRY%20-%20NON%20REGIONAL%20-%20APRIL\\_2008.XLS](http://www.afdb.org/pls/portal/docs/PAGE/ADB_ADMIN_PG/DOCUMENTS/PROJECT-RELATED-PROCUREMENT/STATISTICS%20BY%20COUNTRY%20-%20NON%20REGIONAL%20-%20APRIL_2008.XLS)



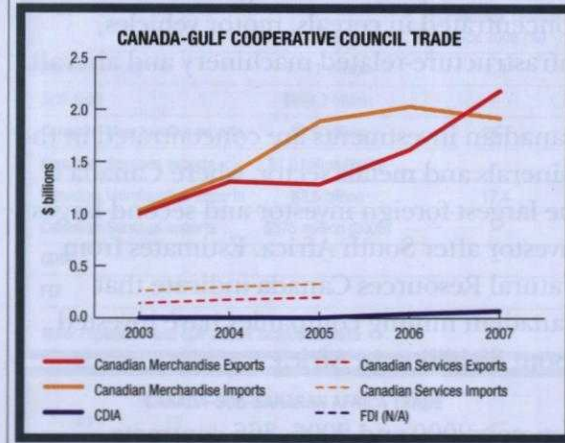
The Middle East and North Africa region includes 20 countries and has a relatively young population numbering over 350 million. The region accounts for 36%<sup>16</sup> of world oil production and 17%<sup>17</sup> of world gas production. Its known reserves of oil and gas account for 56% and 27% respectively of the world totals.<sup>18</sup> With its wealth of natural resources, the region offers interesting opportunities for Canadian companies. Two-way merchandise trade between Canada and the Middle East and North Africa totalled nearly \$15.1 billion in 2007, an increase of 8.5% from 2006.

### Gulf Cooperation Council

The Gulf Cooperation Council (GCC—Saudi Arabia, the United Arab Emirates [UAE], Kuwait, Qatar, Oman and Bahrain) is the most prosperous grouping in the Middle East and North Africa region, with one of the fastest growing GDPs in the world. The GCC countries are also diversifying their economic base and reinvesting a substantial amount of their surplus capital in massive infrastructure projects, such as city building or expansion, as well as in social resources such as hospitals, medical centres and educational institutions. The GCC, and in particular the UAE, has been positioning the region as the leading trading hub that serves the rest of the Middle East, as well as markets in Africa and Southeast Asia.

GULF COOPERATION COUNCIL (GCC)		
	2007	Percentage change since 2006 (%)
Population	36.349 million	3.1
GDP	867.835 billion	7.8
Canadian Goods exports	2 177.533 million	35.0
Canadian Services exports	-	-
Canadian Goods imports	1 915.498 million	-5.5
Canadian Services imports	-	-
CDIA	67 million	67.5
FDI	2 895 million	-

*Notes: CDIA stats of 2007 only reflect investments made in the UAE, Oman and Qatar. FDI figures only reflect the contributions made by the UAE, as data was not available for the other GCC countries. Canadian Service Exports only reflect the exports to Saudi Arabia, as the data for the other GCC countries was not available. Canadian Service Imports only reflect the imports from Saudi Arabia, as the data for the other GCC countries was not available.*



DEAIT is working to enhance its framework of trade policy tools with the GCC countries, including through the recent establishment of air agreements and ongoing discussions on FIPAs.

<sup>16</sup> [www.opec.org/library/Annual%20Statistical%20Bulletin/pdf/ASB2006.pdf](http://www.opec.org/library/Annual%20Statistical%20Bulletin/pdf/ASB2006.pdf)

<sup>17</sup> [www.iea.org/textbase/npsum/weo2005sum.pdf](http://www.iea.org/textbase/npsum/weo2005sum.pdf)

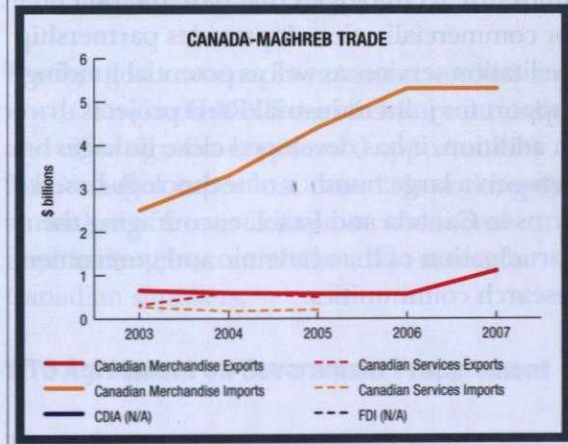
<sup>18</sup> [www.iht.com/articles/2007/11/19/news/20oxan-Increasingoiloutput.php](http://www.iht.com/articles/2007/11/19/news/20oxan-Increasingoiloutput.php)



## The Maghreb

THE MAGHREB		
	2007	Percentage change since 2006 (%)
Population	84 million	1.5
GDP	\$322.2 billion	-
Canadian Merchandise exports	\$1.1 billion	90.2
Canadian Services exports	\$493 million (2005)	-
Canadian Merchandise imports	\$5.3 billion	1.5
Canadian Services imports	\$200 million (2005)	-
CDIA	-	-
FDI	-	-

*Note: Services Trade Statistics also include Western Sahara.*

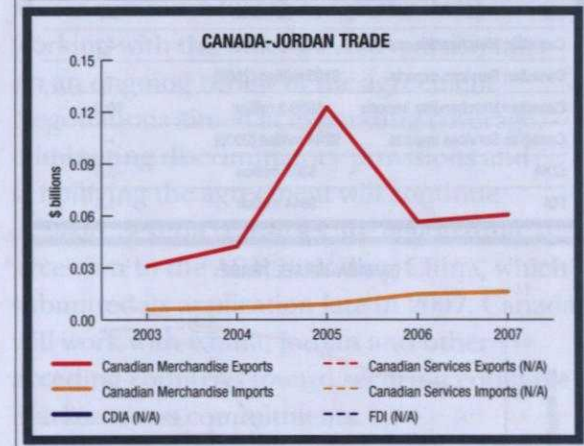


The Maghreb (Mauritania, Morocco, Algeria, Tunisia and Libya) offers excellent business opportunities for Canadian companies. Algeria and Libya are investing \$180 billion<sup>19</sup> and \$123.4 billion<sup>20</sup> respectively in their infrastructure programs. Besides oil and gas, the Maghreb also has important mineral resources. In 2007, Canada's merchandise

exports to the region totalled just over \$1 billion. The Maghreb is a particularly important market for Canadian durum wheat.

## Jordan

JORDAN		
	2007	Percentage change since 2006 (%)
Population	5.7 million	2.3
GDP	17.2 billion	5.7
Canadian Merchandise exports	60.4 million	7.4
Canadian Services exports	16.0 million	-
Canadian Merchandise imports	15.9 million	9.5
Canadian Services imports	-	-
CDIA	-	-
FDI	-	-



Jordan's expanding economy provides opportunities for Canadian exporters and investors in sectors such as agriculture and agri-food, forest products, mining, telecommunications, transportation, and

<sup>19</sup> [www.contre-feux.com/economie/algerie-un-plan-de-soutien-a-l.php](http://www.contre-feux.com/economie/algerie-un-plan-de-soutien-a-l.php)

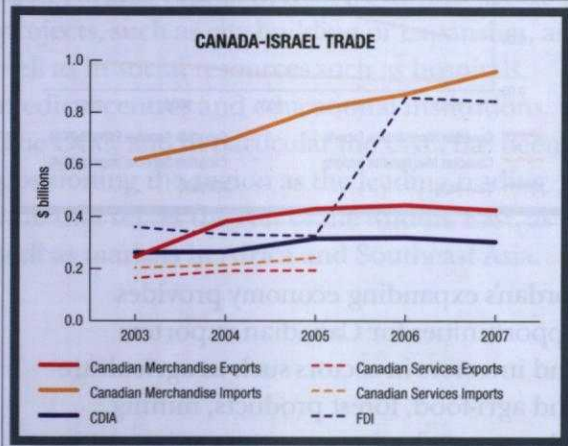
<sup>20</sup> Reuters News, "Libya Plans \$123 Billion Infrastructure Spending,"



capital and infrastructure projects. The country's role as a regional hub for exports to Iraq is also growing. Direct air service between Amman and Montréal began at the end of May 2007, and a FIPA is expected to be signed this year. FTA negotiations have now been ratified. For more information, please see Chapter 4, "Regional and Bilateral Free Trade Agreements and Other Initiatives."

### Israel

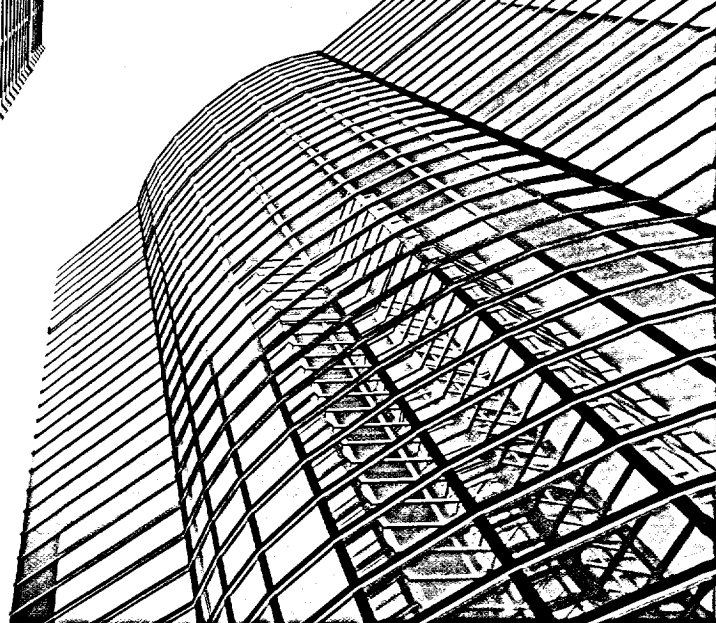
	2007	Percentage change since 2006 (%)
Population	7.2 million	2.2
GDP	\$174.0 billion	5.3
Canadian Merchandise exports	\$426.6 million	-4.3
Canadian Services exports	\$195 million (2005)	-
Canadian Merchandise imports	\$959.2 million	10.0
Canadian Services imports	\$244 million (2005)	-
CDIA	\$305 million	-5.0
FDI	\$844 million	-1.6



In 2007, Canada and Israel celebrated the 10th anniversary of the Canada-Israel Free Trade Agreement (CIFTA), which has resulted in increased two-way trade and investment as well as research and technology cooperation. Our bilateral merchandise trade more than doubled from \$567 million in 1997 to a record level of almost \$1.4 billion in 2007 (\$426.6 million in Canadian exports to Israel; \$959.3 million in imports from Israel).

The Canada-Israel Industrial Research and Development Foundation (CIIRDF), a binational organization established in 1994, promotes industrial collaboration in innovative technologies that have the potential for commercialization. It provides partnership facilitation services as well as potential funding support for joint industrial R&D projects. In addition, it has developed close linkages between a large number of technology-based firms in Canada and Israel, encouraging the participation of the academic and government research communities.





## CHAPTER 11

### Government Procurement

Foreign government procurement markets are worth hundreds of billions of dollars annually and offer significant potential opportunities for Canadian exporters. Canada is working on a number of fronts to improve and secure government procurement market access for Canadian suppliers.

#### **WTO Agreement on Government Procurement**

The WTO Agreement on Government Procurement (AGP) is the primary plurilateral instrument guaranteeing access for Canadian suppliers to the United States, the European Union, Japan, South Korea and other important markets. (For the most part, WTO agreements are multilateral in that all WTO members subscribe to them. The AGP is one of several agreements that have a narrower group of signatories; these are “plurilateral” agreements.)

Canada continues to seek improved market access commitments through the AGP, working with the other 39 AGP participants on an ongoing review of the agreement. Negotiations aimed at expanding coverage, eliminating discriminatory provisions and simplifying the agreement will continue in 2008. Several countries are negotiating accession to the AGP, including China, which submitted its application late in 2007. Canada will work with China, Jordan and other acceding countries toward securing equitable market access commitments.

## Chapter 11

# Government Procurement

### **Bilateral and Regional Agreements**

Canada's bilateral and regional free trade negotiations offer another opportunity to pursue greater access to government procurement markets through the inclusion of a government procurement chapter in the resulting agreements. The first of Canada's regional agreements to have a government procurement chapter was NAFTA (Chapter 10). A procurement chapter with Chile, negotiated in 2006, is expected to be implemented under the Canada-Chile FTA in 2008, and the recently concluded FTA with Peru

also includes a procurement chapter. In addition, government procurement is included in Canada's free trade negotiations with CAFTA, CARICOM, Colombia, the Dominican Republic, Singapore and South Korea. Government procurement market interests will also be addressed by the economic partnership study with the European Union.

For further information on Canada's government procurement negotiations, please visit [www.international.gc.ca/trade-agreements-accords-commerciaux/fo/gp.aspx](http://www.international.gc.ca/trade-agreements-accords-commerciaux/fo/gp.aspx).





## CHAPTER 12 Investment

Under the Government of Canada's multi-year Global Commerce Strategy, the department will continue to spearhead a more robust agenda for bilateral and regional trade policy negotiations. In particular, it will make strategic use of a variety of policy tools including free trade agreements, FIPAs, air services agreements and regulatory cooperation initiatives to improve access for Canadian businesses and investors in key markets.

### **Bilateral Investment Agreements**

Canada has implemented FIPAs with 23 countries—for a complete list, please visit [www.international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/fipa-apie/fipa\\_list.aspx?lang=en](http://www.international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/fipa-apie/fipa_list.aspx?lang=en). In addition, we have recently concluded negotiations toward FIPAs with India and Jordan, which are awaiting ratification. In current work, we are looking at the possibility of engaging Russia in negotiations to upgrade the existing FIPA between our countries. We are also continuing

to explore potential FIPA negotiations with China, Indonesia, Kuwait, Mongolia and Vietnam. As well, we will undertake other exploratory work aimed at initiating formal FIPA negotiations with priority countries in Southeast Asia, Africa, South America, Central Asia and the Caribbean.

### **Other Regional and Bilateral Initiatives**

The investment chapter of NAFTA provides the basis for investment provisions in Canada's FTAs and most of our FIPAs. Investment chapters are part of Canada's free trade negotiations with Colombia, Singapore and South Korea, and the recently concluded negotiations with Peru. For more information on Canada's free trade agreements and negotiations, please see Chapter 4, "Regional and Bilateral Free Trade Agreements and Other Initiatives," or visit [www.international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/index.aspx](http://www.international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/index.aspx).

## Chapter 12

# Investment

Canada also participates in regional and multilateral investment discussions through APEC, the G8, the WTO and the OECD.

### **Corporate Social Responsibility**

The Government of Canada expects Canadian companies to carry out their operations in a socially responsible manner, at home and abroad. To this end, it strongly encourages Canadian companies to adhere to standards of corporate social responsibility (CSR) such as the OECD Guidelines for Multinational Enterprises. The OECD Guidelines are a government-endorsed framework of voluntary standards for responsible business conduct that apply to multinational enterprises operating within Canada and to the overseas operations of Canadian companies. They provide recommendations on issues such as environmental protection, respect for core labour standards, anti-corruption and respect for human rights.

Canada has established a national contact point to work with business and other stakeholders in raising awareness of the OECD Guidelines and resolving issues. Further information is available from Canada's national contact point website ([www.ncp-pcn.gc.ca](http://www.ncp-pcn.gc.ca)) or the CSR section of the Foreign Affairs and International Trade Canada website ([www.international.gc.ca/trade-agreements-accords-commerciaux/ds/csr.aspx](http://www.international.gc.ca/trade-agreements-accords-commerciaux/ds/csr.aspx)).

In February 2007, the Government of Canada officially announced its support for the Extractive Industries Transparency Initiative (EITI). The EITI—which represents a coalition of governments, companies, civil society groups, investors and international organizations—sets a “global standard for companies to publish what they pay and for governments to disclose what they receive.” A detailed description of the program can be found at [www.eitransparency.org](http://www.eitransparency.org). As well, in October 2007, Export Development Canada became a signatory to the Equator Principles, an international benchmark for assessing and managing social and environmental risk in project financing.

To enhance its support to clients abroad, Canada's Trade Commissioner Service provides CSR information sessions for outgoing program managers and trade commissioners. A formal training module on CSR is being considered for Canadian government officers at home and abroad in 2008.

The department continues to promote greater accountability in government organizations, most recently by ratifying the United Nations Convention Against Corruption. The Minister of Foreign Affairs deposited the ratification instrument on October 2, 2007. In 1999, Canada implemented the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions through the Corruption of *Foreign Public Officials Act*.





## CHAPTER 13

### **Innovation, Science and Technology**

The Government of Canada launched its science and technology strategy, *Mobilizing Science and Technology to Canada's Advantage*, in May 2007. The strategy outlines a new approach to ensuring Canada's long-term economic prosperity. It recognizes that innovation is essential to Canada's future competitiveness and productivity, and that increasing private sector R&D and its commercialization is the key to success. It outlines four S&T priority areas in which Canada excels: environmental S&T, natural resources and energy, health and related life sciences, and information and communications technologies (ICT).

Foreign Affairs and International Trade Canada is developing a Global Innovation Strategy (GIS) that will provide international access to specialized knowledge, technology, talent and capital to innovative, growth-oriented firms, researchers with commercially oriented ideas and researchers who can

accelerate commercialization. The rationale is that Canada can improve the innovation performance of its private sector by creating effective, results-focused, international science, technology and innovation (STI) networks in regions of strategic importance to Canada. The GIS will contribute by:

- building innovation teams and coordinating global actions to connect Canadian researchers and businesses with international players and market opportunities;
- fostering greater access to global STI by supporting international R&D partnerships and ensuring that Canadian knowledge producers are aware of and can benefit from leading technology opportunities around the world;
- helping innovative Canadian companies to commercialize new products, processes and services in global markets; and

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- working with Canadian venture capital and private equity interests to partner with sources of foreign risk capital to increase investment in Canadian innovation.

The GIS has established priority partners with whom Canada has been or will be pursuing bilateral S&T agreements. These are countries with strong innovation capabilities and that offer good market potential and positive investment environments. They include the U.S., Japan, Germany, the U.K., France, the EU, Switzerland, the Nordic nations, Israel, Korea, China, India, and Brazil. For more information, please visit [www.infoexport.gc.ca/science/agreements-en.htm](http://www.infoexport.gc.ca/science/agreements-en.htm).

The GIS will focus on R&D-intensive, early-stage companies, researchers with commercially oriented ideas, and researchers who can accelerate commercialization. It will build on and integrate DFAIT's existing innovation-related tools and resources, which include:

- The Going Global S&T Program, which supports projects that connect Canadian researchers with key players in other countries to foster opportunities for collaborative R&D partnerships. Please see [www.infoexport.gc.ca/science/gglobal-en.htm](http://www.infoexport.gc.ca/science/gglobal-en.htm).
- The International Science and Technology Partnerships Program (ISTPP), a five-year, \$20-million program (established in 2005) to support joint R&D projects with strong commercialization potential between Canada and China, India, Israel and, in time, Brazil. Please see [www.infoexport.gc.ca/science/istpp-en.htm](http://www.infoexport.gc.ca/science/istpp-en.htm).
- The Canada-California Strategic Innovation Partnership (CCSIP), an informal initiative for collaboration and exchange among academic, private sector, financial and government organizations. The CCSIP champions new models of cooperation and projects in innovation-intensive areas. Please see [www.ccsip.org/](http://www.ccsip.org/).

Most notably, DFAIT's Trade Commissioner Service—a worldwide network that includes specialized S&T officers in leading innovation countries (please see [www.infoexport.gc.ca/science/network-en.htm#STCs](http://www.infoexport.gc.ca/science/network-en.htm#STCs))—works with partners to connect Canadian businesses and researchers with world-class technology opportunities and key international research partners. For further information on the department's STI program, please visit [www.infoexport.gc.ca/science](http://www.infoexport.gc.ca/science).



## Glossary of Terms

**ACCESSION:** The process of becoming a contracting party to a multilateral agreement. Negotiations with established members of the WTO, for example, determine the concessions (trade liberalization) or other specific obligations a non-member country must undertake before it is entitled to full WTO membership benefits. (Accession)

**ANTI-DUMPING:** Additional duties imposed by an importing country where imports that are priced at less than the "normal" price charged in the exporter's domestic market, or less than their full cost, are found to be causing material injury to the domestic industry in the importing country. (Antidumping)

**APEC:** Asia-Pacific Economic Cooperation forum. Comprises 21 countries around the Pacific Rim that seek further Asia-Pacific economic cooperation. Members are Australia, Brunei, Canada, Chile, China, Hong Kong (China), Indonesia, Japan, Korea (Republic of), Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, Philippines, Russia, Singapore, Chinese Taipei (Taiwan), Thailand, United States, Vietnam. (APEC: Coopération économique Asie-Pacifique)

**ASEAN:** Association of Southeast Asian Nations. Comprises 10 countries in Southeast Asia that seek further economic cooperation. Member countries include Brunei Darussalam, Burma, Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand and Vietnam.

**CA4 (Central America Four):** El Salvador, Guatemala, Honduras and Nicaragua. Currently in free trade negotiations as a group with Canada. (Groupe des quatre de l'Amérique Centrale)

**CAIRNS GROUP:** A coalition of 19 agriculture exporting countries (Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Pakistan, Paraguay, Peru, Philippines, South Africa, Thailand, Uruguay) that cooperate in the context of multilateral trade negotiations. (Groupe de Cairns)

**CCFTA:** Canada-Chile Free Trade Agreement. Implemented July 5, 1997. (ALECC: Accord de libre-échange Canada-Chili)

**CCRFTA:** Canada-Costa Rica Free Trade Agreement. Entered into force on November 1, 2002. (ALECCR: Accord de libre-échange entre le Canada et le Costa Rica)

**CIFTA:** Canada-Israel Free Trade Agreement. Implemented January 1, 1997. (ALECI: Accord de libre-échange Canada-Israël)

**DISPUTE SETTLEMENT:** Those institutional provisions in a trade agreement that provide the means for settling differences of views between the parties. (Règlement des différends)

**DOHA DEVELOPMENT AGENDA:** The agenda of World Trade Organization negotiations, launched at the Ministerial Conference in Doha, Qatar, in November 2001. (Programme de Doha pour le développement)

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**EFTA:** European Free Trade Association. When founded via the Stockholm Convention in May 1960, EFTA had seven members. Since its founding, the composition has changed as new members joined and others acceded to the EU. Currently, there are four members: Iceland, Liechtenstein, Norway and Switzerland. (AELE: Association européenne de libre-échange)

**FDI:** Foreign direct investment. The funds committed to a foreign enterprise. The investor may gain partial or total control of the enterprise. An investor who buys 10% or more of the controlling shares of a foreign enterprise makes a direct investment. (IED: Investissement étranger direct)

**FIPA:** Foreign investment promotion and protection agreement. A FIPA is a bilateral agreement aimed at promoting and protecting foreign investment through legally binding rights and obligations.

**FTA:** Free trade agreement. Often refers to the Canada-U.S. Free Trade Agreement that entered into force on January 1, 1989. (ALE: Accord de libre-échange)

**FTAA:** Free Trade Area of the Americas. Proposed free trade agreement between the 34 democratic countries of the Western hemisphere. The FTAA process was conceived in Miami in 1994 and negotiations were launched in Santiago, Chile, in 1998. (ZLEA: Zone de libre-échange des Amériques)

**GATT:** General Agreement on Tariffs and Trade. From 1947 to 1994, the multilateral agreement overseeing the global trading system, as well as the international agreement governing trade in goods (GATT 1947).

The GATT was subsequently superseded in January 1995 by the new institution known as the World Trade Organization (WTO). GATT 1994 (the agreement), which reflects amendments to the original agreement and incorporates new WTO agreements, continues to govern trade in goods. Other WTO agreements apply to, for example, trade in services. All of these agreements that apply to all WTO members, including the GATT, are components of the WTO Agreement (1994). (GATT: Accord général sur les tarifs douaniers et le commerce)

**GDP:** Gross domestic product. The total value of goods and services produced in a country. (PIB: Produit intérieur brut)

**INTELLECTUAL PROPERTY:** A collective term used to refer to new ideas, inventions, designs, writings, films, etc., protected by copyright, patents, trademarks, etc. (Propriété intellectuelle)

**ITA:** Information technology agreement. A WTO-based agreement among over 50 members that provides for duty-free trade in information technology and telecommunications products. (ATI: Accord sur la technologie de l'information)

**LIBERALIZATION:** Unilateral, bilateral or multilateral actions to reduce tariffs and/or remove other measures that restrict international trade. (Libéralisation)

**MFN:** Most-favoured-nation treatment (Article I of the GATT 1994). Requires countries not to discriminate between their trading partners; any special treatment for one member must be granted to all. MFN treatment applies, for example, to trade in goods, services and



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intellectual property (although in each area the principle is handled slightly differently) (NPF: Traitement de la nation la plus favorisée)

**NAFTA:** North American Free Trade Agreement, involving Canada, the United States and Mexico. Implemented January 1, 1994. (ALENA: Accord de libre-échange nord-américain)

**NON-TARIFF BARRIERS (MEASURES):** Government measures or policies other than tariffs that restrict or distort international trade. Examples include import quotas and discriminatory government procurement practices. Such measures have become relatively more conspicuous impediments to trade as tariffs have been reduced during the period since World War II. (Obstacles non tarifaires)

**OECD:** Organisation for Economic Co-operation and Development. Paris-based organization of industrialized countries responsible for the study of and cooperation on a broad range of economic, trade, scientific and educational issues. (OCDE: Organisation de coopération et de développement économique)

**QUOTA:** Explicit limit on the physical amounts of particular products that can be imported or exported during a specified time period, usually measured by volume but sometimes by value. The quota may be applied on a "selective" basis, with varying limits set according to the country of origin, or on a global basis that specifies only the total limit and thus tends to benefit more efficient suppliers. (Contingent)

**RULES OF ORIGIN:** Laws, regulations and administrative procedures that determine the origin of a good. Rules of origin may be designed to determine the eligibility of a good for preferential access under the terms of a free trade agreement, or they may be designed to determine a good's country of origin for various purposes. A decision by a customs authority on origin can determine whether a shipment falls within a quota limitation, qualifies for a tariff preference or is affected by an anti-dumping duty. These rules can vary from country to country and from purpose to purpose. (Règles d'origine)

**SUBSIDY:** An economic benefit granted by a government to producers of goods, often to strengthen their competitive position. The subsidy may be direct (a cash grant) or indirect (e.g., low-interest export credits guaranteed by a government agency). (Subvention)

**TARIFF:** A tax on merchandise imports. Levied either on an ad valorem (percentage of value) or on a specific basis (e.g. \$5 per 100 kilograms). Tariffs give price advantage to similar locally produced goods and raise revenues for government. (Tarif douanier)

**TRANSPARENCY:** Visibility and clarity of laws and regulations. (Transparence)

**WTO:** World Trade Organization. Established on January 1, 1995, to replace the Secretariat of the General Agreement on Tariffs and Trade, it forms the cornerstone of the world trading system. (OMC: Organisation mondiale du commerce)

## List of Acronyms

AGP	(WTO) Agreement on Government Procurement
APEC	Asia-Pacific Economic Cooperation (forum)
ASEAN	Association of Southeast Asian Nations
BSE	bovine spongiform encephalopathy
CA4	Central America Four
CARICOM	Caribbean Community
CCFTA	Canada-Chile Free Trade Agreement
CCRFTA	Canada-Costa Rica Free Trade Agreement
CDIA	Canadian direct investment abroad
CIFTA	Canada-Israel Free Trade Agreement
CMP	Canada-Mexico Partnership
CSR	corporate social responsibility
EFTA	European Free Trade Association
EU	European Union
FDI	foreign direct investment
FIPA	foreign investment promotion and protection agreement
FTA	free trade agreement
FTAA	Free Trade Area of the Americas
GATT	General Agreement on Tariffs and Trade
GCC	Cooperation Council for the Arab States of the Gulf (formerly Gulf Cooperation Council)
GDP	gross domestic product
ITARS	International Traffic in Arms Regulations
LDC	least developed country
Mercosur	Southern Common Market
MOU	memorandum of understanding
NAFTA	North American Free Trade Agreement
OECD	Organisation for Economic Co-operation and Development
OIE	World Organisation for Animal Health
R&D	research and development
SPP	Security and Prosperity Partnership of North America
TIEA	Trade and investment enhancement agreement
TRIPS Agreement	Agreement on Trade-Related Aspects of Intellectual Property Rights
U.S.- CAFTA-DR	free trade agreement between the United States, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras and Nicaragua
WHTI	Western Hemisphere Travel Initiative
WTO	World Trade Organization