



# Canada's International Market Access Report 2007



Foreign Affairs and  
International Trade Canada

Affaires étrangères et  
Commerce international Canada

Canada

## About This Document

*Canada's International Market Access Report – 2007* outlines market access information for Canadian traders and investors through a range of multilateral, regional and bilateral initiatives in 2007. It also presents significant market-opening results from 2006 that will benefit Canadian business. This document is available online at [www.cimar.gc.ca](http://www.cimar.gc.ca).

Foreign Affairs and International Trade Canada coordinated the preparation of this report with the assistance of Canadian embassies and missions abroad, other federal government departments (especially Agriculture and Agri-Food Canada, Finance Canada, Industry Canada and Natural Resources Canada), provincial and territorial governments and, of course, Canadians doing business abroad. Its contents are current up to May 2007.

**Please visit our online database of foreign trade barriers at [www.cimar-database.gc.ca](http://www.cimar-database.gc.ca).**

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# Introduction

Today, commercial engagement with the world is about more than the traditional import and export of goods and services. It is also about investment—both foreign and domestic, commercial collaborations and technology partnerships. And it is about global value chains—or the development of intricate international and regional networks of finance, production and distribution across borders.

In this new dynamic, goods, services and people—fuelled by foreign capital in both directions—are flowing across borders like never before. Global competition for technology, talent and capital is elevating and intensifying dramatically.

As a trading nation, Canada's prosperity hinges on helping Canadians build links to these global business opportunities.

Businesses and investors alike must be supported by the right tools and business intelligence to help them understand and mitigate the risks of operating in foreign markets. This includes timely, accurate information about trade and investment barriers in key global markets, and about what the Government of Canada is doing to bring down these barriers.

This publication and database, *Canada's International Market Access Report* (CIMAR), is a key part of the government's ongoing efforts to help firms and investors understand what they can expect in foreign markets, and what the government is doing to provide the access they need to succeed on the world stage.

CIMAR outlines what Canada is doing to further improve access to foreign markets in 2007, and highlights the many successes achieved last year. It offers the most up-to-date information on

the kinds of trade barriers Canadian companies encounter in key markets around the world. As such, it is an important tool for Canadian businesses and investors to use in planning global operations.

It also helps the Government of Canada build commercially relevant strategies to improve Canada's access to markets and sectors around the world.

The accompanying Internet database (screen-shot samples below and on page 4) of specific international trade barriers can be found at [www.cimar-database.gc.ca](http://www.cimar-database.gc.ca). This website contains the most up-to-date information on how the

**Search Trade Barriers**

Welcome to the CIMAR database of trade barriers, which complements the 2007 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 "Building Products" under Sector and "Japan" under Country, the search will return trade barriers specifically relating to Building Products in Japan.

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: Agriculture, Food & Beverages

Product Code: 0102 - Bovine animals (live)

Country: United States of America

Search for trade barrier by keyword sector, product code or country.

Government of Canada is helping Canadian businesses and investors capture global opportunities and build on the wealth and prosperity that is so fundamental to our national well-being.

The department welcomes direct input from Canadian exporters and investors describing barriers they have 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. Businesses are invited to report any problems they are experiencing by communicating in strictest confidence 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

**Search Results**

Search Criteria: Keywords=[All]; Sector=[All]; Product Code=[All]; Country=[All]

Trade Barriers	Countries
<a href="#">Accounting, Auditing and Bookkeeping Services</a>	All
<a href="#">Air Transport</a>	Japan
<a href="#">Architectural Services</a>	All
<a href="#">Automobiles</a>	Chile
<a href="#">Avian Influenza</a>	Brazil, Dominican Republic, Hong Kong, SAR, Korea, Republic, Mexico, Philippines
<a href="#">Banking</a>	Malaysia
<a href="#">Bevins Spongiform Encephalopathy</a>	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
<a href="#">Canola Oil</a>	India
<a href="#">Investment</a>	Philippines
<a href="#">Legal Services</a>	All
<a href="#">Logistics Services</a>	All
<a href="#">Magnesium</a>	United States of America
<a href="#">Management Consulting Services</a>	All
<a href="#">Merchant Marine Renewal Tax</a>	Brazil
<a href="#">Wheat</a>	United States of America
<a href="#">Wool Products</a>	China

List of trade barriers.

**Canola Oil**

Sector: Agriculture, Food & Beverages  
Product Code: 9514 - Rapeseed, colza or mustard oil  
Product: Canola Oil  
Description: Canola Oil  
Measure: Tariffs and regulations on genetically modified products  
Country: India  
Province/Territory: [All]

**Description of the Measure:** Canada is seeking improved market access for canola oil to increase its competitiveness vis-à-vis other edible oils and to capture a portion of India's large and growing edible oil market. Tariff rates applied by India on edible oils currently vary widely. For example, the applied tariff of 75% on crude canola oil is significantly higher than the applied tariff of 45% on soybean oil. Canada is requesting tariff equity between crude and refined canola oil imports to India and similar edible oil imports. Canada is also seeking greater clarity with respect to the Indian approval process for genetically modified (GM) products, as this could limit canola oil exports. In particular, Canada is requesting that canola oil be granted similar treatment to edible oils such as soybean oil in the application of India's GM labeling requirements.

**State of Play:** Canadian officials have written to Indian authorities and held high-level meetings seeking equitable access for canola oil. Canada continues to request reduced tariffs on canola oil, particularly in light of India's recent tariff reductions for certain edible oil imports due to rising commodity prices and low domestic production.

**Analysis and Proposal:** Canada will continue to seek tariff parity between canola oil and other competing products such as soybean oil, as well as the elimination of tariff escalation (i.e., low tariffs on raw materials and higher tariffs on processed goods).

**Contact:** David McKinnon Senior Trade Commissioner The High Commission of Canada to India 7/8 Shantipath, Chanakya Park, New Delhi, India (011-91-11) 4178-2000 Fax: (011-91-11) 4178-2041 David.Mckinnon@international.gc.ca

**Web Links:** <http://www.canola-council.org>

**Last Reviewed/Updated:** 2007-05-22

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

Provides a description of the trade barrier.

## Trends in Canadian Trade and Investment

Canada's strong economic performance continued in 2006, with real gross domestic product (GDP) increasing by 2.7%—driven primarily by consumer spending and non-residential investment.

The following trends in Canadian trade and investment took place in 2006:

- Exports of goods and services increased by 1.1% to top \$523.7 billion, accounting for about 36.4% of Canadian GDP. All major categories of exports increased in 2006, led by industrial goods and materials (11.9%), with the exception of forestry products, automotive products and energy products, which declined by 8.6%, 6.0% and 0.4% respectively.
- Imports outpaced exports, increasing by 4.2% to reach \$486.5 billion. As a result, the trade balance declined by \$13.9 billion, equivalent to about twice the reduction in the overall current account balance over the previous year.
- The annual surplus on goods accounted for most of this decline, falling by \$10.6 billion to \$54.3 billion. The goods surplus with the United States dropped by about 11% to \$96.9 billion but was still responsible for the entire trade surplus. Canada's goods trade deficit with non-U.S. destinations decreased slightly to \$42.7 billion, down from \$43.9 billion in 2005.
- Although services exports increased to \$65.1 billion in 2006, the services deficit rose to a record \$17.1 billion, up from \$13.7 billion in 2005, as imports topped \$82.2 billion. The \$3.4 billion increase in the deficit was largely due to higher travel costs (fares) and other trip expenses for Canadians travelling abroad and a widening in the deficit for transport services.
- Direct investment outflows reached \$47.8 billion, with acquisitions accounting for \$3.8 billion of this amount. More than three quarters of Canadian direct investment into foreign economies in 2006 went to the finance and insurance sectors (\$37.6 billion). On a geographic basis, the United States attracted most of this investment.
- At \$75.6 billion in 2006, foreign direct investment (FDI) flows into Canada were the second highest on record and were largely dominated by acquisitions. The United Kingdom and the United States were the main direct investors in Canada in 2006, with investments of \$22.2 billion and \$20.9 billion, respectively.

## 2. Canada's Trade in Goods and Services

### Improving Access for Trade in Goods

Canada is committed to ensuring that its goods producers have competitive terms of access to international markets through a variety of means, including both multilateral and bilateral trade agreements.

The World Trade Organization (WTO) is the forum through which Canada negotiates trade agreements multilaterally, and is the foundation of our country's trade policy. Currently, the WTO is in its ninth round of trade negotiations, known as the Doha Development Agenda. In these negotiations, Canada's priorities for market access improvements for goods include:

- eliminating or significantly reducing tariffs on goods of interest to Canadian exporters (which includes binding commitments on maximum tariffs that would be lower than the tariffs currently being applied)

- levelling the international playing field for agricultural goods and agri-food products through:
  - the elimination of export subsidies;
  - substantial reductions to, and tighter disciplines on, trade-distorting domestic support; and
  - significant market access improvements through reductions in the tariffs faced by Canadian agricultural and agri-food exports.
- attaining improved disciplines on subsidies and greater transparency and predictability in the use of trade remedies (e.g. anti-dumping measures) by our trading partners
- securing strong and binding rules on trade facilitation by building on existing WTO obligations on transparency and customs procedures

As a complement to the multilateral system, Canada is also pursuing improved market access for trade in goods on a bilateral basis, including through ongoing bilateral and regional free trade negotiations. Current negotiations taking place include:

### Consultation and Outreach on Canada's Trade Agenda

Effective consultations with Canadians are essential to the development and implementation of all significant international trade policies and initiatives. This is why Foreign Affairs and International Trade Canada has a long-standing framework for public consultations and outreach aimed at

engaging Canadians in the development of trade policies and initiatives. For example, the department manages a range of permanent and ad hoc consultative mechanisms to ensure that the views, priorities and interests of Canadians at large, other levels of government, industry,

non-governmental organizations and public interest groups are taken into account in the development of Canada's trade agenda. For further information, please visit [www.international.gc.ca/tna-nac/consult-en.asp](http://www.international.gc.ca/tna-nac/consult-en.asp).



the Central America Four (CA4), the European Free Trade Association (EFTA), Korea and Singapore. In addition to these negotiations already in progress, Canada is exploring the possibility of free trade negotiations with the countries of the Andean Community, the Caribbean Community and Common Market (CARICOM), and the Dominican Republic. Free trade agreements with these trading partners would deliver commercial benefits across a wide range of goods sectors, notably in agriculture, fisheries, forestry and industrial products. For example, by leading to tariff reductions and/or elimination, free trade agreements would provide new opportunities for Canadian exporters of such products as beef, pork, grains, fruits, vegetables, prefabricated housing, chemical products, fertilizers, and electrical and power-generating equipment. Trade negotiations also provide Canada with an opportunity to address non-tariff barriers—particularly in the area of standards-related measures—that affect a number of Canada’s industrial sectors, such as the automotive sector.

As Canada vigorously negotiates market access improvements, it recognizes that existing foreign government policies or practices can hurt Canadian exporters by limiting the right of entry to Canadian products and may, at times, be inconsistent with existing trade agreements. As a result, Canada will continue to monitor the trade laws and practices of key trading partners, make representations as required to foreign authorities and, when appropriate, use the dispute settlement provisions of trade agreements to protect and promote Canadian interests.

## Softwood Lumber

Following months of negotiations and with the support of all major softwood-producing provinces and an overwhelming majority of Canadian softwood lumber producers, the Canada-U.S. Softwood Lumber Agreement came into effect on October 12, 2006. Legislation to implement Canada’s obligations under the Agreement—the

Softwood Lumber Products Export Charge Act—received Royal Assent on December 14, 2006. The Agreement has resolved a long and costly dispute and provides a stable bilateral trade environment in which the Canadian lumber industry can prosper over the seven- to nine-year life of the Agreement.

Under the Softwood Lumber Agreement, U.S. countervailing and anti-dumping duty orders, in place since May 2002, have been completely revoked. In addition, more than 80% of duties collected during the dispute have been returned to Canadian softwood producers, with the remainder distributed to U.S. interests. The return of these funds—worth more than US\$4.5 billion—to Canadian producers marks a significant infusion of capital into the industry, and many companies have already invested their refunds in future growth opportunities.

The Agreement provides for the imposition of an export charge when the price of lumber is at or below US\$355 per thousand board feet. The export charge is levied according to the border measure option selected by each region to address its specific economic and commercial situation. Regions selecting Option A (B.C. coast, B.C. interior and Alberta) are subject to a charge of 5%, 10% or 15% depending on lumber prices. Those selecting Option B (Saskatchewan, Manitoba, Ontario and Quebec) are subject to a charge of 2.5%, 3% or 5%, depending on lumber prices, as well as volume constraints in the form of regional export quotas. The funds collected from the export charge will remain in Canada. The Agreement also provides for reduced export charges for Canadian exporters if other lumber-producing countries significantly increase their exports to the United States at Canada’s expense. The export charges and volume constraints do not apply when the price of lumber is above US\$355 per thousand board feet. The Maritimes, the territories and 32 companies found by U.S. authorities not to be subsidized are excluded from the application of the border measures.

## 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 standards-setting organization for animal health referenced in the WTO Agreement on the Application of Sanitary and Phytosanitary Measures.

At its May 2005 meeting in Paris, the OIE announced new guidelines for BSE that reflect the most current internationally accepted scientific information on the disease. As part of the new guidelines, boneless beef from animals under 30 months of age is now included in the OIE list of commodities that should be eligible for safe trade, whether or not the exporting country has confirmed cases of BSE. Moreover, science-based standards have been elaborated for safe trade in other commodities including bone-in beef and beef from animals over 30 months, as well as live cattle, with additional certification guarantees as to the effectiveness of control measures in place; Canada is able to meet these standards.

The following markets have resumed full or partial trade with Canada:

Market	Access provided for Canadian beef and cattle
Algeria	Live cattle for breeding
Antigua	Beef from animals under 30 months
Bahrain	All beef
Barbados	All beef and live cattle for breeding
Bermuda	All beef
Cayman Islands	Beef from animals under 30 months
Cuba	All beef and all cattle
Egypt	Boneless beef from animals under 30 months Live cattle 24 months and less for breeding
El Salvador	Boneless beef from animals under 30 months
Guatemala	Boneless beef from animals under 30 months
Honduras	Boneless beef from animals under 30 months
Hong Kong	Boneless beef from animals under 30 months
Jamaica	Boneless beef from animals under 30 months
Japan	Beef from animals 20 months and under
Kazakhstan	Live cattle for breeding
Lebanon	Boneless beef from animals under 30 months Live cattle
Macau	All beef
Macedonia	Boneless beef from animals under 30 months
Mexico	Beef from animals under 30 months
Morocco	Live cattle for breeding
New Zealand	All beef
Philippines	Boneless beef from animals under 30 months
Saint Kitts and Nevis	Boneless beef from animals under 30 months
Thailand	Boneless beef from animals under 30 months
Trinidad and Tobago	Boneless beef from animals under 30 months
Tunisia	Live cattle
Ukraine	Live cattle for breeding
United Arab Emirates	Beef from animals under 30 months
United States	Cattle under 30 months for slaughter Beef from animals under 30 months
Vietnam	Boneless beef from animals under 30 months

## Improving Access for Trade in Services

Services industries and international trade in services are important components of Canada's economy. There has been a broad structural shift toward services over the past few decades. Services have increased from just over half of Canada's GDP in 1961 to more than two thirds today. This structural shift is best shown by Canada's changing employment pattern over the decades: today the sector employs about three Canadians in four, compared with one in two in 1961. Moreover, services have accounted for approximately 80% of newly created jobs since 1992. Some of the highest paying jobs in the country are in the knowledge-intensive services industries such as architecture, engineering, research and development, and financial services.

While the volume of Canada's services trade is lower than that of merchandise trade, services trade continues to grow more rapidly than goods trade and significantly faster than the Canadian economy. With the European Community counted as one trading entity, in 2005, Canada ranked seventh and fifth in the world in commercial services exports and imports, respectively. However, at 11% in 2006, Canada's trade in services, as a proportion of its total trade, was less than the world average of 18.4%. That year, Canada exported \$65.1 billion in services, over half of which were commercial services. On the import side, services totalled \$82.2 billion, of which commercial services accounted for 47%, travel services for 29% and transport services for 23%. Canada's two-way trade demonstrates that commercial services are the most important and fastest growing services sector.

Although the United States remains Canada's dominant export destination, Canadian services exports to Europe, Latin America, Asia and Africa are increasing, accounting for upwards of 45% of Canada's total services exports. Moreover,

services trade with emerging markets plays an increasingly important role in keeping Canada competitive on the international stage.

Facilitating increased Canadian services trade (cross-border transactions, FDI-related foreign affiliate sales and the services transactions of independent professionals and contractors working in other countries) yields direct benefits to Canada in job creation, improved productivity and greater business activity. In addition, increased international trade can provide access to a greater range of enabling services (e.g., transportation and distribution, information and communications, financial and professional), which in turn are critical to the efficiency of exports in Canada's manufacturing and primary sectors.

Services production and consumption are subject to a wide range of regulatory measures. Some measures, designed as policy responses to domestic concerns (e.g., consumer protection, quality of service, accreditation), can sometimes also act as impediments to international services trade. Others may involve more direct and explicit discrimination against foreign services providers. As services trade increases in importance in the global economy, countries have engaged in multilateral and bilateral negotiations to reduce or eliminate these market access barriers.

As a country with a strong interest in expanding services exports and investments, Canada relies on bilateral, regional and multilateral, legally enforceable rules on trade in services. These rules help ensure that Canadian exporters receive fair and equitable treatment in foreign markets. Canada pursues market access for services in a variety of international forums, including the World Trade Organization and in various free trade agreement negotiations.

Canada's priorities in 2007 include obtaining improved market access for:

- professional services;
- computer and related services;
- research and development services;
- other business services (especially management consulting services, oil and gas services, and mining services);
- courier services;
- telecommunications services;
- construction and related engineering services;
- distribution services;
- environmental services;
- financial services;
- tourism and travel-related services; and
- transport services.

### *Recent Developments*

Efforts to enhance air services access are an important part of Canada's overall work to facilitate trade in services. In line with the recently announced Blue Sky policy, Canada will pursue opportunities to negotiate open bilateral air

agreements for international scheduled air transport when this is deemed to be in the national interest. In particular, we will seek to maximize opportunities to add passenger and all-cargo services in response to market demand. (For further information see the Transport Canada publication, [www.tc.gc.ca/pol/en/ace/consultations/blueSkyPolicy.htm](http://www.tc.gc.ca/pol/en/ace/consultations/blueSkyPolicy.htm)).

Canada's continued efforts to enhance market access for services are receiving additional support through the Canadian Services Coalition. This membership-based organization designed to provide a strong and cohesive voice on behalf of the Canadian services industry. Its main objective is to seek the liberalization of services markets throughout the world and to remove trade and investment barriers for the Canadian services sector. The Canadian Chamber of Commerce acts as secretariat for the Coalition. Further information is available at, [www.canadianservicescoalition.com/aboutus.htm](http://www.canadianservicescoalition.com/aboutus.htm).

## 3. Getting the International Rules Right

### Canada and the World Trade Organization

Membership in the World Trade Organization underpins Canadian trade policy. The WTO rules govern the trade relations of the organization's 150 members, which include Canada's main trading partners (e.g., the United States, the European Union, Japan, China and Mexico), as well as other industrialized countries, emerging markets and smaller developing countries.

The building blocks of the multilateral trading system are the WTO agreements, which are negotiated and signed by all members. The two basic principles of the WTO are the following:

- equal treatment for all WTO members (most-favoured-nation, or MFN clause), under which countries cannot normally discriminate between their trading partners; and
- national treatment, under which imported and locally produced goods and foreign and domestic services are to be treated equally.

The WTO remains the locus of the multilateral trading system. It not only provides a venue for negotiating market access and other trade rules, but it also represents the best forum for monitoring the implementation of obligations and commitments under various agreements, reviewing members' trade policies and practices, and discussing trade-related issues to enable trade to flow freely, fairly and predictably. The WTO also offers a state-to-state dispute settlement system, whereby trade disputes are settled based on commonly agreed rules, rather than political or economic power. Only the WTO has the critical mass of countries needed to address the most harmful distortions in the international trading system, particularly trade-distorting agricultural subsidies.

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

The Fourth WTO Ministerial Conference in Doha, Qatar, in November 2001 launched a new round of trade negotiations (the Doha Round). These negotiations include such issues as agricultural trade reform, market access for non-agricultural goods and for services, rules for subsidies, anti-dumping and countervailing duty actions, trade facilitation, dispute settlement, and certain aspects of trade and the environment. In addition to this broad range of topics, there was agreement to focus on the needs and interests of particular concern to developing countries, such as special and differential treatment. Given the focus on development issues and their overarching nature in the negotiations, the Doha Round is also referred to as the "Doha Development Agenda."

Following the Sixth Ministerial Conference in Hong Kong, China (in December 2005), trade ministers and other senior officials responsible for the WTO engaged in intensive regular meetings throughout the first half of 2006. Their goal was to bridge the gaps in negotiating positions and conclude an agreement by the end of the year (as set out in the Hong Kong Declaration). Despite their efforts, the gaps remained too wide to bridge and the negotiations were subsequently suspended in July 2006, in all negotiating areas.

Members used the suspension to engage in quiet diplomacy and technical discussions, as well as to reflect on ways to push through the impasse and get the negotiations back on track. By November, however, it had become clear that the suspension had not achieved its desired effect and that WTO members wished to see a re-launch of the talks. At the Asia-Pacific Economic Cooperation forum (APEC) meeting in Hanoi, Vietnam (November 12 to 19, 2006), APEC trade ministers indicated their support

for re-starting negotiations in the Doha Round. Subsequently, WTO Director-General Pascal Lamy recommended that discussions at the technical level resume.

As informal bilateral and group meetings intensified, a renewed sense of commitment emerged from the first ministerial meeting held since the suspension of the round. Held on the margins of the World Economic Forum in Davos, Switzerland, on January 26, 2007, ministers attending the meeting stated their support for a full-scale relaunch of the Doha Round negotiations. On January 31, Pascal Lamy received the support of all WTO members for a full resumption of the negotiations. Members have continued to engage through technical groups and at the ministerial level, working to span the differences in the diverse negotiating positions. It will take the efforts of all members to reach a broad and ambitious deal.

The Doha Development Agenda negotiations are the most comprehensive round ever undertaken by the WTO or its predecessor, the General Agreement on Tariffs and Trade (GATT). The diverse range of issues, combined with the consensus-based approach of the WTO, has meant that these negotiations have not been easy; however, WTO negotiations have never been simple or quick—the last round (the Uruguay Round) took seven and a half years to complete—and the potential benefits of such a broad agreement are wide ranging.

Canada is seeking a broad and ambitious outcome to the Doha Development Agenda. We welcome the resumption of the negotiations and will continue to engage other members to advance progress in the round and to secure a good deal for our producers, manufacturers and services providers. An ambitious outcome to the negotiations would provide a more level playing field for Canadian exporters competing in global markets, while increasing Canadian and global economic growth, prosperity and development.<sup>1</sup>

In the WTO agriculture negotiations, Canada continues to seek the elimination of all forms of export subsidies; substantial reductions in trade-distorting domestic support; and real and significant market access improvements. In non-agricultural market access negotiations, Canada is seeking improved access to markets of interest to our exporters, including through reduced customs tariffs for all non-agricultural goods and tariff elimination in some sectors. Key sectors of interest to Canada include fish products, forest products, environmental goods, chemicals and raw materials.

In services negotiations, Canada is seeking increased access to foreign services markets in various sectors. These include architecture, engineering and integrated engineering, computer and related services, construction and related engineering, energy, environment, finance, law, maritime transport and telecommunications. We are also looking for an easing of restrictions on the temporary movement of “natural persons” supplying services, as well as more transparent and predictable regulatory environments abroad. In the rules negotiations, Canada supports improving anti-dumping and/or countervail disciplines to reduce the scope for abuse; strengthening subsidy disciplines, particularly to ensure fair competition for Canadian exporters in foreign markets; and clarifying rules on regional trade agreements.

In trade facilitation negotiations, Canada's priority is to secure strong, binding rules governing trade facilitation in a manner that is both practical and meaningful to traders – the goal is to build on existing WTO obligations in a way that maximizes transparency and streamlines customs procedures.

With respect to the overarching development dimension of the Doha Round, Canada is seeking an outcome to the round that strikes a balance between development objectives, developing countries' concerns and Canadian commercial interests. Canada supports an outcome that will

<sup>1</sup> A 2005 World Bank Study estimates the global welfare gains from liberalization in merchandise trade and reduction in agricultural subsidies at nearly \$363.5 billion a year by 2015.

make a significant contribution to the development prospects of WTO members and lead to better integration of developing countries into the world trading system. For this reason, Canada supports effective special and differential treatment for developing countries, the provision of trade-related technical assistance and capacity building, and greater institutional and policy coherence between the WTO and other international institutions. For more information on Canada and the WTO, please visit [www.international.gc.ca/tna-nac/wto-en.asp](http://www.international.gc.ca/tna-nac/wto-en.asp).

### *WTO Agreement on Government Procurement*

Representing a market worth hundreds of billions of dollars annually, foreign government procurement holds significant potential for Canadian exporters. Consequently, Canada is working at the WTO to increase sectoral coverage and reduce discriminatory barriers in the United States and other key markets. A key mechanism in this respect is the WTO Agreement on Government Procurement (AGP), which provides the basis for guaranteed access for Canadian suppliers to the United States, the European Union, Japan and other key markets. Canada continues to pursue greater and more secure market access through the AGP. Moreover, the ongoing review of the AGP, with its mandate to expand coverage, eliminate discriminatory provisions and simplify the Agreement, remains a priority. The parties to the AGP—Canada and 37 other countries—have provisionally agreed to a new text that represents an important step forward in the WTO negotiations on government procurement. Negotiations are targeted for completion in 2007.

### *Accessions of New Members to the WTO*

With the accession of Vietnam in January 2007, the WTO now has 150 members. Canada is active in the accession negotiations of all applicants. To date, the following 29 applicants are at various stages of the accession process: Afghanistan, Algeria, Andorra, Azerbaijan, Bahamas, Belarus, Bhutan, Bosnia and Herzegovina, Cape Verde, Ethiopia, Iran, Iraq, Kazakhstan, Laos, Lebanon, Libya, Montenegro, Russia, Samoa, Sao Tome and Principe, Serbia, Seychelles, Sudan, Tajikistan, Tonga, Ukraine, Uzbekistan, Vanuatu and Yemen.

Of the 29 applicants currently awaiting accession to the WTO, 10 are least developed countries (LDCs): Afghanistan, Bhutan, Cape Verde, Ethiopia, Laos, Samoa, Sao Tome and Principe, Sudan, Vanuatu and Yemen. Canada works with other WTO members to facilitate the accession of LDCs, recognizing that WTO accession will help them in their development efforts and their transition to fully participating members of the world trading system. Canada endorses the guidelines for facilitating and accelerating negotiations with acceding LDCs, approved by the WTO General Council in December 2002.

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).

## 4. Opening Doors to North America

### United States

Canada and the United States enjoy an economic partnership that is unique in today's world. We share one of the world's largest and most comprehensive trading relationships. Since the implementation of the Canada-U.S. Free Trade Agreement in 1989, two-way trade has tripled. In addition to joint oversight of the world's longest, non-militarized border, the two countries are linked by similar business practices, legal systems, language, history and culture.

The United States purchased 79% of our goods exports and contributed 65% of our goods imports last year, when two-way goods trade was worth more than \$626 billion. In 2006, goods exports to the United States fell by 1.9% to reach \$361.7 billion, largely because of weakness in auto and forestry products, while merchandise imports from the United States rose by 1.9% to \$264.8 billion. At the same time, Canada exported \$35.9 billion in services to the United States, which remains the top market for our services exports.

Canada continues to be the most important market for the United States most important market, taking 22.5% of U.S. goods exports and about 9% of U.S. services exports last year. It is the leading export market for 36 of the 50 U.S. states and ranked in the top three for another 10 states, making it a larger market for U.S. goods than the European Union.

### Current Issues

While our bilateral trade and investment relationship is generally free of irritants, some challenges remain. For example, costs and uncertainties stemming from U.S. export controls in bilateral defence and aerospace trade are deterring U.S. firms from working with Canadian partners,

subcontractors and even subsidiaries, as well as impeding the ability of Canadian firms to compete for U.S. business. Security-cleared dual nationals in Canada, whether in the public or private sector, also face difficulties due to the U.S. definition and treatment of "dual nationals," especially within the International Traffic in Arms Regulations (ITAR). This, in turn, makes job-related access to controlled technologies and data difficult. Canada continues to engage the United States in efforts to resolve the ITAR impediments to the satisfaction of both governments.

Additionally, administrative procedures and reviews on the part of U.S. patent authorities, combined with the presumed validity of patents in the U.S. judicial system, create a situation conducive to abuses through extensive patent litigation in U.S. courts. Investors who rely on patents for their business operations must devote resources to litigation, which negatively affects productivity and creates a disincentive to innovation.

A key concern for Canada is the need to address issues related to the U.S. Western Hemisphere Travel Initiative (WHTI). While the government appreciates the security goals underlying the WHTI, it is concerned about the "how" and "when" of WHTI implementation, particularly at the land border. With more than \$1.9 billion in goods and services crossing our border daily, and over 160 million visits in both directions in 2006, neither country can risk uncertainty and border congestion. The Government of Canada believes that adequate preparation and infrastructure, as well as a transparent plan for WHTI implementation are necessary. Priorities would include exploring alternative identification documents, and instituting a transition period during which existing documents could continue to be used. The government has engaged the U.S. Administration on these issues



and is pleased with the passport exemptions proposed on January 22, 2007 (for minors, youth sports teams, and cultural and social groups) and with the cooperative efforts to pilot an enhanced driver's licence in British Columbia and Washington State.

As well, the U.S. Department of Agriculture's Animal and Plant Health Inspection Service published an interim rule on August 25, 2006, subjecting Canadian-produced fruits and vegetables to agricultural quarantine inspections at U.S. ports of entry. The interim rule requires fees to be collected on all commercial shipments (agricultural and non-agricultural) and from airline passengers coming from Canada, with the stated purpose of recovering the costs of these inspections. The fees are calculated to cost Canadian border users (rail, trucking, air and marine) an estimated \$78 million in the first year they are implemented. Canada has requested withdrawal of the interim rule and is working to develop cost-effective alternatives that meet U.S. technical requirements.

Canada will also continue to work with both the United States and Mexico on a coordinated North American approach to the regulatory and trade aspects of BSE.

For more information on bilateral trade and investment issues, please consult this document's associated database at [www.cimar-database.gc.ca](http://www.cimar-database.gc.ca).

### *Security and Prosperity Partnership*

Canada participates with the United States and Mexico in the Security and Prosperity Partnership (SPP) of North America. This trilateral initiative expresses a commitment to work together to improve the security, prosperity and quality of life of all North Americans. The SPP includes a series of practical measures designed to facilitate trade and enhance regulatory cooperation. It is helping to move legitimate goods and people across North American borders faster and at a lower cost. Working together in this way will help enhance North American competitiveness globally. For further details, please visit [www.spp-psp.gc.ca](http://www.spp-psp.gc.ca).

Canada will continue to impress upon its SPP partners its commitment to enhancing security within North America and abroad. U.S. defence arrangements with Canada are more extensive than those with any other country. For further information, please visit [www.canadianally.com/ca](http://www.canadianally.com/ca).

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

The North American Free Trade Agreement—now in its 14<sup>th</sup> year—has contributed to significant increases in trade and investment flows between Canada and its NAFTA partners. The more significant trends and developments are summarized below.

- Merchandise trade has increased 122% since 1993, reaching \$597.2 billion in 2006.
- Merchandise exports to the United States grew at an annual compounded rate of 5.8% between 1994 and 2006.
- Bilateral trade between Mexico and Canada reached \$20.4 billion, a 349% increase from pre-NAFTA levels (1993).
- NAFTA partners account for 82.6% of our total merchandise exports.
- Trade in services with the United States reached \$82.4 billion in 2006, up from \$42.3 billion in 1993.
- Approximately 57% of Canada's services exports go to our NAFTA partners.

NAFTA has established a strong foundation for economic growth. However, the emergence of new economic players, coupled with the increasingly integrated network of global value and supply chains, has transformed the dynamics of world trade and brought new challenges to North America's continued prosperity. In this context, Canada remains committed to NAFTA as the cornerstone of North American competitiveness, and continues to pursue a NAFTA work plan that will enhance Canada's trade and investment with the United States and Mexico.

To respond to the new challenges, trade ministers agreed at the 2006 meeting of the NAFTA Free Trade Commission (FTC) to:

- identify sectors and the specific work that could be undertaken within them to remove non-tariff impediments to trade;
- launch a thorough review of the operation of the NAFTA working groups and committees in order to identify potential improvements to their existing work programs and ways in which they could support the new sectoral initiatives; and
- examine how the three countries might collaborate in negotiating trade agreements with other countries, as well as how elements of trade agreements negotiated by each country could be used to improve NAFTA practices such as those relating to transparency and trade facilitation.

The NAFTA partners are also working to further liberalize the NAFTA rules of origin. This work is on an established track, producing improvements to the NAFTA rules of origin each year over the last four years. In addition, the NAFTA partners continue to pursue services liberalization in bilateral and multilateral agreements in an increasingly competitive international environment.

Other areas of current work are directed toward, for example, further regulatory cooperation, improvements to temporary entry provisions (NAFTA Chapter 16) and increased transparency. On transparency, and further to the 2004 release of the negotiating history of NAFTA's investment provisions (Chapter 11), work is under way to release the negotiating history of the institutional arrangements and dispute settlement provisions (Chapter 20), as directed by ministers at the 2006 FTC meeting.

### *Settling Disputes Under NAFTA*

In 2006, three requests were filed for a Chapter 19 panel review of U.S. anti-dumping and/or countervailing duty determinations concerning softwood

lumber. Another two were filed regarding steel wire rod and grain corn. During the 2006 calendar year, 11 panel reviews were ongoing on products including softwood lumber, magnesium, steel wire rod and grain corn. As well, three panel decisions were released; two in magnesium and one in softwood lumber. For more information on NAFTA 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).

There are several active Chapter 11 investor-state dispute cases involving the United States and Canada. In five cases, a U.S. investor has made a claim against the Canadian state: UPS, GL Farms, V.G. Gallo, Merrill & Ring and Crompton. A final award is expected in the UPS case in 2007, while the other cases may be ongoing throughout the year. There are four active cases involving Canadian investors and the U.S. state: Cattlemen for Fair Trade, Glamis Gold, Grand River and Domtar. A hearing in the Glamis Gold case was scheduled for May 2007. For more information about Chapter 11 disputes, please visit [www.international.gc.ca/tna-nac/nafta-en.asp](http://www.international.gc.ca/tna-nac/nafta-en.asp).

### **Mexico**

The implementation of NAFTA has propelled the Canada-Mexico relationship to unprecedented levels of trade, investment and cooperation. There are now more than 1,700 subsidiaries of Canadian companies in Mexico, and over 3,100 Canadian companies are working on their first sales in that market.

This success can be attributed largely to relatively irritant-free access to the Mexican market. Based on import statistics from both countries, bilateral trade has increased by close to 350% since NAFTA entered into force in 1994, and Mexico is now Canada's fifth most important export market and third most important supplier. There is good potential to be realized in sectors such as manufacturing technologies, building products, information and communications technologies

(ICT), agri-food, and environmental industries, in addition to more traditional areas such as energy, forestry and mining. With a GDP of \$953 billion in 2006, sound macro-economic indicators, an expanding middle class and a population of over 100 million, there is scope for even greater growth in commercial exchanges.

According to Mexican statistics, Canada is now Mexico's fifth-largest investor, in such sectors as banking, mining, automotive, urban transportation, printing, energy and aerospace. Mexico's FDI abroad is also increasing as Mexican companies expand in search of new markets. This presents opportunities to promote Canada as a destination for those Mexican investors.

Canada and Mexico work closely together as NAFTA partners, and they also use every opportunity to deepen the dialogue in order to expand the relationship, for example through the trilateral SPP of North America and the bilateral Canada-Mexico Partnership.

In 2006, there were few trade irritants between Canada and Mexico. Agriculture is one area in particular where protectionist sentiment may exist. The Government of Canada will continue to monitor the implementation of the NAFTA provisions, which include removal of the remaining trade restrictions on imports of corn and beans in January 2008.

Opportunities to expand the commercial relationship will be influenced by the Mexican Administration's ability to build consensus and enact crucial structural reforms, namely in the energy sector, but also with regard to taxation, labour, and anti-monopoly policy in key service areas such as telecommunications.

## The Canada-Mexico Partnership

In October 2004, the Canada-Mexico Partnership (CMP) was launched. This high-level public-private forum seeks to strengthen bilateral economic and policy cooperation and to promote discussion among the private and public sectors at the highest levels. The partnership helps focus additional efforts to further cooperation in S&T and labour mobility.

The CMP's mandate includes identifying obstacles to trade and investment and making recommendations for their removal. The expanding partnership now includes six working groups: trade, investment and S&T; agri-business; urban sustainability; housing; human capital; and energy. The CMP working groups last met in Mexico City on March 7, 2007, to develop and advance workplans. Among the highlights: the signing of an extension for five years of a letter of understanding between the Canadian Mortgage and Housing Corporation and its Mexican counterpart for cooperation in housing; the signing of a Memorandum of Understanding (MOU) between the Association of Canadian Community Colleges (ACCC) and the National Association of Universities and Institutes of Higher Learning on joint collaboration. For the first time, provincial representatives attended some of the working groups' sessions.



## 5. Opening Doors to Asia

### Asia-Pacific Economic Cooperation

APEC is an intergovernmental forum dedicated to the promotion of free trade and investment, economic growth and development, and cooperation in the Asia-Pacific region. Since its inception in 1989, trade in goods and services between its 21 member economies—which account for close to 50% of the world's population, trade and GDP—has more than tripled. APEC's work has also expanded to address other issues that are key to the living standards of its members, including security, health and agriculture.

Canada participates in APEC in support of its regional trade and investment promotion objectives. The forum's work on trade facilitation, transparency, anti-corruption and intellectual property rights (IPR) helps make the Asia-Pacific region more accessible to Canadian businesses. For more information, please visit [www.apec.gc.ca](http://www.apec.gc.ca).

APEC's year-round activities culminate in the annual APEC Economic Leaders' Meeting, the largest of its kind in the region. At the November 2006 meeting in Hanoi, Vietnam, world leaders reiterated APEC's commitment to greater economic integration in the Asia-Pacific region and instructed officials to undertake further studies in 2007 on how to achieve this, including looking at the possibility of a Free Trade Area of the Asia Pacific as a long-term prospect.

### China

China (excluding the Hong Kong Special Administrative Region) continues to be one of the most important players in the world economy and a growing market for the world's goods and services. China also continues to be Canada's second-largest trading partner and its fourth-largest export market.

According to the United Nations Conference on Trade and Development's *World Investment Report*, in 2005, China was the third most important destination in the world for foreign investment, after the United States and the United Kingdom.

Highlights of the trade and investment relationship with China are summarized below:

- Canada's total merchandise exports to China amounted to \$7.7 billion in 2006, an increase of 7.9% over 2005.
- Total merchandise imports from China increased to \$34.5 billion, up 16.8% over the previous year.
- Current two-way investment, though modest, is growing rapidly and holds substantial potential.

While Canadians continue to invest in Chinese financial services ICT, information technologies and transportation markets, Chinese direct investment in Canada is predominantly in the energy and mining sectors.

Canada and China are collaborating to enhance two-way flows of investment for the mutual benefit of both economies. To this end, China and Canada are in ongoing negotiations on a Foreign Investment Promotion Agreement (FIPA). A FIPA will help to promote a deeper, more prosperous trade and investment relationship by protecting international investors while preserving the rights of governments to regulate in the public interest.

On September 9, 2006, Canada and China signed an MOU on cooperation in two-way investment promotion. This MOU recognizes the desire of both countries to strengthen their bilateral investment relationship. Also, on January 16, 2007, Canada and China signed a Science and

Technology (S&T) Cooperation Agreement that will promote greater collaboration in research and development between Chinese and Canadian academics, as well as researchers and innovators from and both the private and public sectors. The work conducted under the Agreement will initially focus on four priority areas: energy, environment, health and life sciences, and agricultural foods and bioproducts.

A number of problems and practices continue to impede Canadian access to the Chinese market such as import requirements for agricultural and food products. As well, some elements of the former planned economy remain.

Since its WTO accession in 2001, China has made great efforts to reform its IPR regime to comply with obligations in the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). Canada will continue to urge China to meet the terms of TRIPS by encouraging further efforts to uphold IPR. These efforts are essential to address the growing global problem of counterfeiting and piracy. We will continue to engage China in dialogue in multiple international forums, to provide support to Canadian companies with specific concerns, and to urge China to participate in initiatives to address this common problem. In addition, Canada filed a request with China on April 25, 2007, to join consultations, initiated by the United States, at the WTO concerning certain aspects of China's legal framework for the protection of IPR.

A number of Canadian industries have raised concerns regarding Chinese government support and subsidies for Chinese manufacturing sectors such as the steel sector. Canada, along with other WTO members such as the United States and the European Union, has raised its concerns and sought clarification regarding Chinese programs in the WTO and, in the case of steel, the Organisation for Economic Co-operation and Development (OECD). In addition, Canada has engaged in direct dialogue with China on these programs.

As a member of the WTO with a significant portion of world trade, China is an important participant in the Doha Round of multilateral trade negotiations. Canada will continue to cooperate with China in supporting an early conclusion to these negotiations.

### **Hong Kong (China)**

The Hong Kong Special Administrative Region, which maintains autonomy in economic, trade, cultural and political affairs, continues to develop its own economic, fiscal and budgetary policies, reflecting its own interests and dependence on trade. It continues to be an aggressively free market economy, with virtually no barriers to entry or doing business. Canada exported \$1.6 billion in merchandise to Hong Kong in 2006 and imported merchandise worth \$513 million.

### **India**

India remains on track to becoming a world economic power through acquiring foreign technology and expanding investment abroad. Opportunities for Canadian services exports to India abound due to India's highly skilled, English-speaking workforce. Growth in two-way trade is expected to continue, and significant commercial opportunities in India will continue to emerge with rising consumerism and infrastructure development in India. Total Canada-India merchandise trade in 2006 was \$3.6 billion.

Two-way cumulative direct investment is modest, but growing – up from almost \$349 million in 2005 to \$528 million in 2006 – and is likely to increase further once a FIPA, currently under negotiation, comes into force. The conclusion of a FIPA would boost investment opportunities by providing added security and predictability to the legal framework pertaining to foreign investment.

While India's share of cumulative FDI into Canada remains relatively small—representing just 0.04% of total FDI in Canada in 2006—the Indian government's easing of restrictions on outward investment provides opportunities for increased FDI into Canada. The opening of several software development centres in Canada by India-based ICT firms, as well as investments by Indian banks, points to the attractiveness of Canada as an investment destination.

In the other direction, the total of Canada's cumulative direct investment in India amounted to \$327 million in 2006. One factor limiting Canadian direct investment in India is restrictions on foreign ownership in key sectors in which Canada is an international leader, including banking. With respect to financial services more generally, India has indicated that it is considering liberalizing reforms that would be welcomed by Canadian financial institutions. India's recent liberalization of foreign investment restrictions, combined with its strong economic performance, presents significant opportunities for Canadian investors, including in such sectors as infrastructure, ICT, life sciences and natural resources.

Canada's commercial relationship with India has been enhanced through various mechanisms: the signing of an S&T Cooperation Agreement, the negotiation of a FIPA, and the resolution of a number of sanitary and phytosanitary issues relating to plant products. In 2006, Canada and India also signed MOUs on biotechnology—one related to research and the other to agriculture. As well, Canada and India concluded a plant health MOU and agreed to extend an interim arrangement for pulse imports for an additional year. India also agreed to temporary access improvements on wheat and accepted Canada's certificates for the export of pine wood lumber and horses.

## Republic of Korea

Already ranking among the 12 largest global traders, Korea is a leading investor in China and is prominent in North Asian supply chains. Korea is Canada's seventh-largest merchandise trading partner overall and our third-largest partner in Asia. Bilateral trade totalled \$9 billion in 2006, with exports to Korea increasing to \$3.3 billion and imports from that country to \$5.8 billion. Korea is an important partner for Canada with respect to innovation acquisition and knowledge-based applied technology.

Negotiations toward a Canada-Korea Free Trade Agreement, launched in July 2005, present an important opportunity to address key irritants facing Canadian exporters who are attempting to access the Korean market. A bilateral trade agreement could deliver significant commercial benefits across many sectors of the Canadian economy, while benefiting Canadian consumers. It would better enable Canadian companies to tap into the value chains of Korean corporations, sell raw materials and key technologies and products, and employ Korea as a strategic base for building an export and manufacturing presence in Northeast Asia.

A number of access-related issues affect Canadian exports to Korea, one of the most problematic being Korea's complete ban on Canadian beef exports.

## Japan

The Japanese economy, which remains the world's second largest, has witnessed its longest period of sustained real growth in several decades. In December 2006, the WTO Secretariat reported that Japan had made progress in the financial and corporate sectors, notably in the disposal of non-performing loans, the decision to privatize Japan Post, the strengthening of competition policy, and deregulation in the energy, financial services and legal services sectors.

Japan is Canada's largest export market in Asia and third largest export market overall behind the United States and the United Kingdom. Highlights of the trade relationship in 2006 are as follows:

- Two-way trade in goods between Canada and Japan stood at approximately \$22.6 billion, with exports totalling \$10.8 billion (up 2.8% from 2005) and imports reaching \$11.9 billion (up 5.9% from 2005).
- In services, Canada exported \$1.6 billion and imported \$3.2 billion.

The Canada-Japan Economic Framework, launched in November 2005, has been instrumental in addressing certain market access issues of interest to Canada. A key element of the Framework is a joint study on the costs and benefits of further promoting and liberalizing bilateral trade and investment. The joint study is well advanced, and Canada and Japan are working toward its completion.

Cooperation between Canada and Japan under the Economic Framework has produced a number of successes. These include:

- an MOU, signed in May 2005, to identify key areas of cooperation in our investment promotion efforts;
- a cooperation agreement on anti-competitive activities that came into effect on October 6, 2005;
- a social security agreement, signed by both parties in February 2006, that is expected to go into effect in late 2007;
- an agreement in July 2006 (negotiated by the Canadian Food Inspection Agency, Health Canada and Japan's Food Safety Commission) to develop an informal framework document on food safety cooperation; and
- Canada-Japan air services negotiations, held in January 2007, which expanded rights for Canadian carriers under the bilateral air services agreement and produced significant enhancements in capacity provisions and related entitlements.

In 2007, Canada will work to improve market access for Canadian exporters by continuing to press for:

- access for all beef products deemed eligible for export in accordance with the science-based standards of the World Organisation for Animal Health;
- a reduction of duties applied to vegetable oils (particularly canola), processed foods, red meats, fish, forest products (spruce-pine-fir lumber, softwood plywood, laminated veneer lumber, oriented strand board and laminated beams), non-ferrous metals and leather footwear. (Canada will seek the maximum negotiable reduction in these tariffs in the WTO negotiations); and
- the elimination of specific technical and regulatory barriers in Japan. These barriers include regulations and standards that depart from international norms (e.g., wood species equivalency, and practices regarding the use of foreign clinical data when approving pharmaceutical products and medical devices). We will also monitor reforms in financial services and insurance services, including the privatization of Japan Post, to ensure that Canadian firms' access to the market is consistent with Japan's obligations in the WTO.

### Chinese Taipei (Taiwan)

Chinese Taipei continues to grow in importance as a regional importer. It is also a large exporter to China and Southeast Asia and a major source of investment. This has provided an impetus for trade and market liberalization, though there continues to be domestic pressure toward protectionism and non-transparent decision making, particularly with respect to certain agricultural and agri-food products.

Chinese Taipei has undertaken significant reforms and liberalization in order to bring its economic and trade regime into line with the WTO framework. A key outcome has been the disappearance of preferential market access previously accorded

to U.S. suppliers in a number of product areas, consistent with Chinese Taipei's obligations under the WTO principle of non-discrimination.

Canadian goods exports to Chinese Taipei in 2006 totalled \$1.4 billion, while goods imports amounted to \$3.9 billion.

### Association of Southeast Asian Nations

As a group, the Association of Southeast Asian Nations (ASEAN) member countries (Brunei Darussalam, Burma, Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand and Vietnam) represent a major trade and investment partner for Canada. Two-way merchandise trade in 2006 totalled over \$12 billion. Canada has FIPAs with Thailand and the Philippines, and will hold exploratory discussions with Indonesia and Vietnam in mid-2007. This year marks the 30<sup>th</sup> anniversary of Canada-ASEAN relations, and Canada is continuing to undertake initiatives to engage with ASEAN countries. Commercial opportunities are expanding amid increased political stability, economic growth and trade liberalization in the region. ASEAN countries will continue to play an important role in global value chains.

### Singapore

Given its high level of economic development and political stability, Singapore presents opportunities for Canadian companies not just within its borders but as a gateway to other Asian markets. Recognizing the importance of enhancing trade and investment relations, the Government of Canada is negotiating a free trade agreement with Singapore. An agreement would not only raise Canada's profile in Singapore, but would also facilitate goods and services trade and improve Canada's ability to participate in global value chains.

In 2006, two-way trade between the countries totalled \$1.7 billion, and Singapore was the third largest destination for Canadian investment in Asia after Japan and Hong Kong. In addition, Singapore is a world leader in research and development and has excellent intellectual property protection. Opportunities for Canadian companies exist in such sectors such as ICT, aerospace and defence, life sciences and biotechnology, agri-food and the environment.

### Vietnam

Two way merchandise trade between Canada and Vietnam reached \$864 million in 2006. The Vietnamese economy is growing quickly thanks to the implementation of business-friendly economic reforms. One indication of Vietnam's progress came in January 2007, when the country officially became the 150<sup>th</sup> member of the WTO. Additionally, Canada and Vietnam held exploratory discussions in April 2007 targeting the launch of formal FIPA negotiations. Vietnam has a number of fast-growing sectors in which Canadian companies are proving competitive, including mining, energy, ICT, and agri-food. Commercial opportunities for Canadian companies will continue to emerge as Vietnam becomes a regional strategic hub for trade and investment.



## 6. Opening Doors to Europe

### European Union

The European Union is now the world's largest single market. In January 2007, the EU welcomed two new member states (Bulgaria and Romania), bringing its total membership to 27 and its population to 493 million.

As a whole, the 27 member states of the EU represent Canada's second largest trading partner after the United States, its second most important source of FDI and its second most important destination for CDIA. The EU is also Canada's second most important source of new technologies and a key partner in S&T partnerships.

Highlights of the trade and investment relationship in 2006 are as follows:

- The EU imports close to 35% of Canada's goods exports (excluding those destined for the United States).
- Canadian goods exports amounted to \$33.6 billion (up 16.2% from 2005), while imports stood at \$42.0 billion.
- Canadian exports to the EU are diverse and include a significant share of value-added products in addition to traditional exports of resource-based products and commodities. Machinery and transport equipment, chemicals, pharmaceutical products, mineral fuels and diamonds are among our leading merchandise trade items.
- Trade in services is significant, with Canada exporting \$12.4 billion in commercial, transport and travel services to the EU in 2006—an increase of 4.8% from 2005—while imports from the EU are valued at \$13.8 billion.

- Key growth sectors of interest to Canada include ICT, telecommunications, aerospace and defence, energy technologies, and environmental products and services.

The EU also represents the second most important source of new technologies to assist Canada in developing its knowledge-based economy. The EU produces over a third of the world's scientific publications and some 20% of patents. It is the top producer of technology in the OECD. 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 for a single market, and a number of EU-imposed bans and restrictions related to health, environmental and consumer protection concerns.

Negotiations for a trade and investment enhancing agreement (TIEA) were launched in May 2005. The TIEA, which was designed to complement improved market access achieved at the WTO, addresses non-tariff trade issues such as investment, trade facilitation, regulatory cooperation and services, as well as government procurement and IPR.

In May 2006, Canada and the EU jointly decided that, given the extensive linkages to the WTO talks, it would be best to pause the TIEA negotiations until the results of the WTO Doha Round of negotiations are known. In the meantime, Canada

and the EU continue to work bilaterally on other ways to enhance our trade and investment relations. For example, discussions on regulatory cooperation—one of Canada's priority areas of interest in the TIEA negotiations—have continued.

### **European Free Trade Association**

Canada's commercial ties with the EFTA states (Iceland, Liechtenstein, Norway and Switzerland) continue to grow. The EFTA states rank among the wealthiest, most innovative and sophisticated markets in the world, and offer attractive potential markets for competitive Canadian exporters. If the combined EFTA nations were treated as one, this group would place as Canada's eighth-largest merchandise export destination. In 2006, two-way merchandise trade with EFTA reached \$10.7 billion, while in 2005, two-way investment stocks were roughly \$22.2 billion.

Negotiations for a free trade agreement with the EFTA states were launched on October 9, 1998. The last negotiating session was held in Geneva from January 15 to 18, 2007. Both sides have made significant progress. As Canada's first transatlantic free trade agreement, an agreement with the EFTA countries would provide a strategic platform for expanding commercial ties with Europe. It would lock in competitive advantages in these dynamic European markets and put Canada on an equal footing with competitors who already have free trade agreements with EFTA, including Chile, Korea, Mexico and the EU.

## 7. Opening Doors to Latin America and the Caribbean

Canada's relationship with emerging economies in Latin America and the Caribbean remains strong and continues to grow. In 2006, Canada's exports of goods to Latin America and the Caribbean stood at \$5.8 billion, down 31.5% from a record high of \$8.4 billion in 2005. Canadian exports to the region are a mix of commodities (40%) and semi-finished and fully finished products (60%), including high-technology items.

### Mercosur, Brazil and Venezuela

#### *Mercosur*

Canada and Mercosur (Argentina, Brazil, Paraguay and Uruguay) are interested in further enhancing their trade and investment ties, and continue to explore which policy tools and instruments are best suited to promoting this objective. Bilateral trade between Canada and the Mercosur bloc totalled \$5.6 billion in 2006. That year, Canada's merchandise exports to Mercosur amounted to \$1.6 billion while imports stood at \$4.0 billion.

#### *Brazil*

Brazil, a rapidly developing and stable economy, is an economic powerhouse by any measure. The International Monetary Fund ranks Brazil as the 11<sup>th</sup>-largest economy globally. Brazil's highly diversified and industrialized economy is the largest in Latin America. It has extensive natural resources and is a world leader in agro-industry.

Brazil represents nearly 80% of Mercosur's economy, making it the bloc's most influential member and leader. Brazil has South America's largest GDP (\$1,211 billion in 2006), and annual economic growth is expected to average 3.5% over the period to 2010.<sup>3</sup>

<sup>2</sup> Percentages based on preliminary analysis.

<sup>3</sup> Data from Goldman Sachs, *Global Economic Paper No. 99*, October 2003.

In 2006, Canada's merchandise exports to Brazil stood at \$1.3 billion while bilateral trade totalled \$4.7 billion, making Brazil our second largest trading partner (after Mexico) in Latin America.

#### *Venezuela*

On December 9, 2005, Mercosur initiated the process for the accession of Venezuela as a state party to the bloc (negotiations are ongoing). Venezuela served notice of its intention to withdraw from the Andean Community on April 22, 2006, but it will continue to enjoy some advantages under the sub-region's liberalization program for five years following withdrawal.

In 2006, Canada's exports to Venezuela stood at \$788.6 million while bilateral trade totaled \$2.0 billion. Services exports to Venezuela amounted to \$182 million (2004 data). One of Canada's priorities for Venezuela will be to continue representations aimed at eliminating discretionary import licensing. In Venezuela, the 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*

The Canada-Chile Free Trade Agreement (CCFTA), the cornerstone of our important bilateral relations with Chile, marks its 10th anniversary in 2007. Two-way merchandise trade increased from \$718 million in 1997 to \$2.3 billion in 2006, with Canadian merchandise exports accounting for \$472.9 million that year.

Chile has one of the most open and stable economies in Latin America, and many Canadian companies consider it to be a gateway to regional and neighbouring markets. Negotiations on a government procurement chapter for the CCFTA were completed in 2006, and similar talks on financial services disciplines are well advanced.

### Andean Community

Representatives of Canada and the Andean Community countries (Bolivia, Columbia, Ecuador and Peru) met in December 2006 to explore the possibility of free trade negotiations. The discussions were positive and allowed for a frank exchange of views on a wide range of issues that could be raised in future free trade negotiations. Canada expects to be in a position to launch negotiations with interested and prepared Andean countries in 2007.

A free trade agreement with the Andean Community countries would help to ensure a level playing field and secure new commercial opportunities for Canadian exporters, services providers and investors, particularly in light of the recently concluded U.S.-Colombia and U.S.-Peru free trade agreements. These agreements will, upon implementation, grant U.S. exporters immediate duty-free access for over 80% of consumer and industrial products, including those in many sectors of interest to Canada (e.g., wheat, pulses, high-quality beef, processed food products).

A Canada-Andean Community free trade agreement would also further advance Canada's foreign policy objectives in the region and promote development through economic integration. Consultations with Canadian stakeholders in 2002-2003 revealed broad support for a Canada-Andean Community agreement.

In addition to pursuing a free trade agreement, Canada's priorities for the Andean Community countries in 2007 will be to continue representations for the resumption of trade in beef, cattle, and poultry 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. During the past four years, Colombia has undertaken a series of major reforms to develop a competitive legal framework and investment regime as well as a good business climate. Colombia 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. Similarly, the Peruvian government's intervention in its economy has been minimal, with particular emphasis being placed on attracting investment into the agricultural sector of the highlands. Thanks to a smooth political transition following the 2006 presidential elections, Peru's stable and open economy is expected to enjoy strong growth over the coming years.

In 2006, bilateral merchandise trade with the Andean Community countries totalled \$3.9 billion. The Canadian stock of direct investment in the Andean Community amounted to \$3.5 billion in 2006.

### Central America and the Caribbean

In 2006, Canadian exports to the Central American region (El Salvador, Guatemala, Honduras, Nicaragua, Costa Rica and Panama) amounted to \$442.8 million, and bilateral trade totalled more than \$1.3 billion. Guatemala has the broadest economic base and largest economy in Central America: in 2006, close to 42% of total Canadian exports to this region were to Guatemala. Panama's services-based economy grew by more than 8% in 2006, and free trade negotiations with the United States have been completed and are awaiting congressional approval.

The Canada-Costa Rica Free Trade Agreement (CCRFTA) entered into force on November 1, 2002, providing the two countries with a competitive advantage vis-à-vis foreign competitors in each other's markets. Canada has now benefited from over four years of duty-free access for over

94% of its agricultural and agri-food exports and for 67% of all goods exports to Costa Rica. Between 2002 and 2006, two-way merchandise trade increased 40.3% (from \$324 million to \$454 million). The CCRFTA provides for 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.

In order to strengthen our trade and investment ties, Canada remains committed to concluding a free trade agreement with the Central America Four (CA4). 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. This agreement has been implemented in all countries, except Costa Rica. The Government of Canada is closely monitoring the competitiveness challenges facing Canadian companies in these established markets and continues to work toward ensuring a level playing field.

The 15-member Caribbean Community (CARICOM) 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 2006, Canadian merchandise exports to CARICOM amounted to \$669 million, and bilateral trade totalled \$1.8 billion.

Canadian foreign policy has long recognized a special relationship between Canada and the Commonwealth Caribbean, stemming from commercial ties and from joint membership in the Commonwealth and similar democratic institutions. In recognition of this relationship, Canada has extended duty-free access to our market to most products from 18 Commonwealth Caribbean countries and territories since 1986 through the Caribbean-Canada Trade Agreement (CARIBCAN)

preferential tariff. In 2006, Canada requested and received approval for a five-year extension of the WTO waiver required to provide this preferential tariff. Canada supports the goal of free trade between Canada and CARICOM, which has a membership that is similar but not identical to that of CARIBCAN. Exploratory discussions to advance such an initiative have been productive, and Canada hopes to be able to launch negotiations in 2007.

Cuba is Canada's largest export market in the Caribbean, importing \$629 million in Canadian goods in 2006. Although the Cuban business environment is complex, it offers many opportunities for Canadian firms. Canada remains opposed to the extraterritorial application of U.S. law and does not support an embargo on Cuba. 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.

The Dominican Republic is Canada's third-largest export market for goods in the Caribbean region and one of the fastest-growing import markets and duty-free manufacturing zones. In 2006, Canadian merchandise exports to the Dominican Republic totalled \$163 million (up 12.2% from 2005). In order to deepen our commercial relationship, Canada supports the goal of free trade with the Dominican Republic. Recent government-to-government exploratory discussions have been productive, and consultations with Canadian stakeholders have revealed broad support for a Canada-Dominican Republic free trade agreement. Canada hopes to be in a position to launch negotiations in 2007.

## 8. Opening Doors in Other Key Markets

### Australia

Canada and Australia enjoy commercial relations that are largely free of challenges. The two countries cooperate closely within APEC, ASEAN, the Cairns Group of agricultural exporting countries and the WTO. Some Australian non-tariff measures continue to have an impact on market access for Canadian goods and services. These measures include policy standards and government procurement practices. In 2006, Australian requirements that Canadian pork imports be tested for carbadox were lifted.

In 2006, Canadian exports to Australia amounted to \$1.83 billion, while imports were valued at \$1.59 billion. Canada's principal exports to Australia include machinery, electrical machinery, aircraft, pork and iron ore. Leading imports from Australia include aluminium and uranium, wine, machinery and meat.

### New Zealand

Canada and New Zealand's commercial relations are close and relatively irritant-free. The countries cooperate closely within organizations such as APEC, ASEAN, the Cairns Group and the WTO. Both countries continue to work together to achieve a substantive outcome to multilateral trade negotiations.

In 2006, Canadian exports to New Zealand amounted to \$383.9 million, while imports were valued at \$492.9 million. Canada's main exports to New Zealand include aircraft, electrical machinery, machinery, fertilizers and pork. Canada's leading imports from New Zealand include meat and dairy products, casein and casein derivatives, agricultural machinery and wine.

### Russia

Russia's economic growth continues to be driven by high prices for oil, gas and other commodities, which has in turn stimulated domestic demand, prompting market expansion in investment and imports. In addition, Russia's foreign reserves now exceed US\$300 billion, according to the UN Conference on Trade and Development. Canada's exports to Russia rose by 36% in 2005 and 54% in 2006 to reach \$870 million. Machinery for the oil, mining and forestry industries and food products dominated exports. Canadian providers of professional services, including engineering and architectural services, are also very active in Russia.

Many major Canadian firms have responded to the improved investment opportunities with strategic investments in Russia, particularly in the transport and resources sectors. Appropriate legal and operating structures are being used to address concerns about corporate governance, corruption, respect for property rights, regulatory issues and excessive bureaucracy.

Canada concluded its bilateral WTO accession negotiations with Russia in December 2005. Although Russia has successfully concluded the majority of bilateral negotiations with individual WTO members, 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. Membership in the WTO will contribute significantly to Russia's transition to a market economy.

## Kazakhstan

In 2006, Kazakhstan's GDP rose 10.6%, fuelled by high oil commodity prices and domestic consumption. Canadian exports to Kazakhstan rose by 5.1% in 2006 to \$122 million. Main exports to Kazakhstan include agricultural equipment, log skidders, boring and sinking machinery, and selected industrial machinery. The stock of Canadian direct investment in Kazakhstan was valued at \$1,461 million in 2005 by Statistics Canada. This level declined in 2006 largely due to the sale of a number of large Canadian oil and gas companies. Remaining Canadian commercial and economic interests include investments in uranium exploration and production, mining and production of gold and non-ferrous metals, and hydrocarbon exploration and production.

Canada is pursuing bilateral WTO accession negotiations with Kazakhstan. Canada's overall objectives are to ensure Kazakhstan's full compliance with WTO obligations and to seek more open, secure and predictable access for Canadian goods and services.

## Ukraine

Preliminary data suggest that Ukraine's economy expanded by 7% in 2006. Continued gradual economic reforms, a growing domestic market, proximity to the enlarged EU, low wage rates and near-term WTO accession have led to a recent renewal of Western investment in the real estate, banking, construction, warehousing, chemicals and metals, food processing and energy sectors. Increases in domestic energy prices are expected to dampen growth in certain sectors but also to stimulate more investment in energy conservation and efficiency in the medium term.

Total Canadian merchandise exports to Ukraine rose by 44.2% in 2005 and 29.8% in 2006 to \$106.3 million. Canada's primary exports include fish and pharmaceutical products and assorted industrial parts. There is a significant market

potential for Canadian goods and services firms in agriculture, oil and gas, construction, and ICT.

Ukraine's WTO accession process is at an advanced stage. However, the country still has to address some outstanding multilateral issues, conclude remaining bilateral agreements and pass the required WTO-related legislation. Future WTO accession, continued transparent privatization of large state-owned companies, and new foreign investment should provide a significant boost to Ukraine's economy.

## Sub-Saharan Africa

Canadian merchandise trade with sub-Saharan Africa has increased substantially over the years. Two-way merchandise trade for 2006 was approximately \$4.6 billion, with exports accounting for \$1.6 billion and imports for \$3 billion. Merchandise exports to sub-Saharan Africa in 2006 include many high value-added categories. The top export categories were mechanical (\$236 million) and electrical machinery (\$95 million), cereals (\$233 million), aircraft and parts (\$208 million), vehicles (\$147 million), textiles (\$119 million), paper and paperboard (\$46 million) optical and medical instruments (\$46 million), meat (\$39 million), and pharmaceuticals (\$32 million).

Canada has been obtaining service contracts for work in sub-Saharan Africa. For example, Canadian companies are successfully pursuing World Bank and African Development Bank projects that include the provision of engineering and construction, forestry, geomatic, air, educational and other services.

Determining CDIA in sub-Saharan Africa at a country level is difficult, because the data for all but seven countries in the region are aggregated by Statistics Canada. For 2005, Statistics Canada reports approximately \$2.5 billion of CDIA in sub-Saharan Africa.

The annual reports of Canadian companies active in the region provide an alternative means of determining levels of investment. This method suggests that CDIA in 2004 was \$1.3 billion for oil and gas exploration companies and \$5.9 billion for mineral extraction and exploration firms. Moreover, estimates from Natural Resources Canada indicate that, with the increased demand for commodities from emerging economies (such as China, India and Brazil), new Canadian investment in the mining sector alone could surpass \$14.1 billion.

Mining is the face of Canada in many African countries, with Canadian investors making up the largest foreign and most important non-African investors in the continent's mining sector. Resource-based investments are the driving force behind the value-added components of the merchandise trade and services accounts. Much of the exploration and production technology, as well as the consulting engineering expertise that these operations employ, originates in Canada.

### Middle East and North Africa

The Middle East and North Africa (MENA) region has a population of more than 300 million. The region holds about 56% of the world's total known reserves of conventional oil and about 27% of its total natural gas. Two-way merchandise trade with the region totalled \$13.8 billion during 2006, a 16% increase over 2005. Merchandise exports during 2006 were \$3.7 billion, an increase of 14% over the previous year.


The Gulf Cooperation Council (GCC)—Saudi Arabia, United Arab Emirates (UAE), Kuwait, Qatar, Oman and Bahrain—is the most prosperous grouping in the MENA region and includes our first (UAE) and second (Kingdom of Saudi Arabia) export markets. The GCC has the third-largest GDP per capita of any region, plus very high GDP growth and nearly 50% of the world's proven oil reserves. With a rapidly growing population of 36 million, the area represents the 17<sup>th</sup>-largest

economy in the world with a GDP of US\$536 billion. It has more than \$3 trillion of available liquidity. The resulting economic boom has doubled the size of the regional economy over the last five years. The GCC is increasingly focused on economic diversification to reduce oil dependency. An unprecedented boom in construction and infrastructure projects is providing major business opportunities for Canada.

Another important grouping in North Africa—known collectively as "*The Maghreb*"—includes Mauritania, Morocco, Algeria, Tunisia and Libya. With a population of 85 million, a GDP of US \$218 billion, forecasted growth of 5.8%, total imports of US\$78 billion, the region also offers great opportunities for Canada. Both Algeria and Libya are oil and gas exporting countries and currently enjoy huge increases in revenues that will allow them to invest heavily in their development. Total Canadian imports from the region continued to increase in 2006 and consisted mainly of crude oil from Algeria. Algeria was Canada's second-largest source of foreign crude oil during 2006, with imports valued at nearly \$5 billion. Morocco was our second-largest export market for Canadian durum wheat during 2006, while Algeria was the fourth-largest. Together with Tunisia, they accounted for slightly more than 25% of total Canadian exports of this commodity.

Thanks in large measure to the Canada-Israel Free Trade Agreement (CIFTA), bilateral trade with Israel totalled a record \$1.3 billion during 2006 (\$445.7 million Canadian exports to Israel; \$872.6 million imports from Israel). Since its establishment in 1994 and its subsequent renewal in March 2006 by Canada and Israel, the Canada-Israel Industrial Research and Development Foundation (CIIRDF), has become a key vehicle for increasing bilateral and sub-national industrial cooperation and business partnerships at the cutting edge of innovation.





Despite a deteriorating economic and business environment, Canadian exports to Iran increased from \$274.3 million in 2005 to \$309.0 million in 2006—largely due to a sharp increase in sales of wheat and other agri-food commodities. Pursuant to Canada’s Controlled Engagement Policy with Iran, Canada has been applying strict export controls on proposed shipments of sensitive goods for some time. In February, Canada implemented regulations to enforce the UN economic sanctions against Iran. In light of these measures, and also of U.S. requests that firms not sell to Iran, interest in Iran as an export market or destination for investment has been declining.

## 9. Investment

Canadian companies will continue to encounter investment barriers abroad, including investment prohibitions, restrictions on the scope of business activity, performance requirements, investment authorizations and residency requirements. Canada's various investment agreements thus play an important role by providing Canadian firms with a predictable foreign investment climate. International rules do not restrict Canada's ability to regulate in the public interest, as foreign investors must abide by the same laws and regulations (e.g., on health, safety, labour and environment) as domestic investors. The same holds true for Canadian firms present in foreign states.

### *Bilateral Investment Agreements*

Since 1989, Canada has concluded 23 bilateral FIPAs. These agreements assure Canadian firms that the rules governing their investments are bound by certain standards of fairness and predictability. A complete list of Canada's FIPAs can be found at [www.international.gc.ca/tan-nac/fipa\\_list-en.asp](http://www.international.gc.ca/tan-nac/fipa_list-en.asp). In 2006, Canada signed a FIPA with Peru. Canada is also engaged in FIPA negotiations with China, India and Jordan, and is holding exploratory discussions with Vietnam, Indonesia and Kuwait.

### *Other Regional and Bilateral Initiatives*

Investment chapters are an important component of the NAFTA and the CCFTA. The investment chapter of NAFTA provides the basis for investment provisions in the CCFTA and most of Canada's FIPAs. In addition, investment is included

in Canada's free trade negotiations with Korea, Singapore and the CA4 countries (El Salvador, Guatemala, Honduras and Nicaragua). For further information on Canada's free trade agreements and negotiations, please visit [www.international.gc.ca/tna-nac/reg-en.asp](http://www.international.gc.ca/tna-nac/reg-en.asp).

Finally, Canada participates in regional investment discussions through the APEC forum. The APEC economies are working to liberalize their investment regimes through a program of voluntary individual action plans. Canada's plan can be accessed at [www.apec-iap.org](http://www.apec-iap.org).

### *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. They provide recommendations on issues such as environmental protection, respect for core labour standards, anti-corruption and respect for human rights. The Guidelines apply to multinational enterprises operating within Canada and to the overseas operations of Canadian companies. They are particularly important in countries where governance structures are weak.

In June 2005, the Parliamentary Standing Committee on Foreign Affairs and International Trade issued a report entitled Mining in Developing Countries and Corporate Social Responsibility. In response to this report, the Government of Canada held four national round tables between June and November 2006 on the topic of corporate social responsibility and the Canadian extractive sector in developing countries. Held in Vancouver, Toronto, Calgary and Montreal, the round tables examined ways to ensure that Canadian extractive sector companies operating in developing countries meet or exceed leading international CSR standards and best practices. More information on these round tables can be found at [http://geo.international.gc.ca/cip-pic/current\\_discussions/csr-roundtables-en.asp](http://geo.international.gc.ca/cip-pic/current_discussions/csr-roundtables-en.asp).

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 corporate social responsibility section of the Foreign Affairs and International Trade Canada website ([www.international.gc.ca/tna-nac/DS/csr-en.asp](http://www.international.gc.ca/tna-nac/DS/csr-en.asp)).

An important development in Canada's promotion of CSR was the official announcement in February 2007 of the government's support for the Extractive Industries Transparency Initiative (EITI) a coalition of governments, industries, investors, and international and non-governmental agencies. EITI supports improved governance in resource-rich countries through the full publication and verification of company payments and government revenues for oil, gas and mining industries. A detailed description of the program can be found on the EITI website at [www.eitransparency.org](http://www.eitransparency.org).

## Science and Technology and Innovation

Innovation is not a focus on S&T, but a focus on Innovation is not a focus on science and technology (S&T), but a focus on taking S&T to markets. It helps enhance access to the best global technology and keep Canada competitive in world markets. Strong international S&T linkages also help connect innovative Canadian firms with the global supply of ideas, talents and technologies (crucial to ensuring that domestic firms have access to leading-edge research), boost Canada's competitiveness and productivity, and ultimately lead to a higher standard of living for all Canadians.

Canada's global innovation capacity rests upon two key drivers: adopting technology and commercializing R&D. In order to increase our performance in both, we need to build effective, results-focused, international S&T networks in areas of strategic importance to Canada. These networks can improve Canada's international S&T performance by:

- building innovation teams (through realigning the Trade Commissioner network); coordinating global actions to connect Canadian S&T capacity with international players and market opportunities (e.g., through the Canada-California Strategic Innovation Partnership); and positioning Canada as a valued international S&T partner;
- fostering greater access to global S&T (through supporting international collaboration in R&D, as well as by using effective innovation teams to ensure that Canadian knowledge producers are aware of and can benefit from emerging and cutting-edge technology opportunities around the world); and
- maximizing performance in innovation and commercialization (through helping innovative Canadian companies grow internationally, so their new products, processes and services succeed in global markets).

Foreign Affairs and International Trade Canada also has some tools to enhance Canada's international R&D performance. For instance, the Going Global S&T Program supports projects designed to bring Canadian researchers together with key players in foreign countries to foster identified opportunities for collaborative partnerships. There is also the International S&T Partnerships Program. This five-year, \$20-million program aims to increase bilateral research projects with good commercialization potential between Canada and partners such as Israel, India, China and, in time, Brazil.

Our worldwide network of S&T officers targets R&D business partners in the global marketplace. Support for business development and international R&D collaboration by Canadian missions abroad, as well as regional offices across Canada, will help expand domestic R&D strengths by connecting Canadian businesses and scientists with world-class technology opportunities and key international research partners.

For further information on the department's S&T program, please visit [www.infoexport.gc.ca/science](http://www.infoexport.gc.ca/science).

## 10. Glossary

**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 and Vietnam. (APEC : Coopération économique Asie-Pacifique)

**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)

**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 have acceded to the EU. Currently, there are four members: Iceland, Liechtenstein, Norway and Switzerland. (AELE : Association européenne de libre-échange)

**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)

**FTA:** 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. 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 with over 50 members that provides for duty-free trade information technology and telecommunications products. (ATI : Accord sur la technologie de l'information)

**LIBERALIZATION:** Unilateral, bilateral or multi-lateral 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. This includes trade in goods, services and 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)

## 11. List of Acronyms

<b>AGP</b>	(WTO) Agreement on Government Procurement	<b>GDP</b>	Gross domestic product
<b>APEC</b>	Asia-Pacific Economic Cooperation (forum)	<b>ICT</b>	Information and communications technologies
<b>ASEAN</b>	Association of Southeast Asian Nations	<b>IPR</b>	Intellectual property rights
<b>BSE</b>	Bovine spongiform encephalopathy	<b>ITARs</b>	International Traffic in Arms Regulations
<b>CA4</b>	Central America Four	<b>LDC</b>	Least developed country
<b>CARIBCAN</b>	Caribbean-Canada Trade Agreement	<b>MENA</b>	Middle East and North Africa
<b>CARICOM</b>	Caribbean Community	<b>Mercosur</b>	Southern Common Market
<b>CCFTA</b>	Canada-Chile Free Trade Agreement	<b>MOU</b>	Memorandum of understanding
<b>CCRFTA</b>	Canada-Costa Rica Free Trade Agreement	<b>NAFTA</b>	North American Free Trade Agreement
<b>CDIA</b>	Canadian direct investment abroad	<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>CIFTA</b>	Canada-Israel Free Trade Agreement	<b>OIE</b>	World Organisation for Animal Health
<b>CMP</b>	Canada-Mexico Partnership	<b>R&amp;D</b>	Research and development
<b>CSR</b>	Corporate social responsibility	<b>S&amp;T</b>	Science and technology
<b>EFTA</b>	European Free Trade Association	<b>SPP</b>	Security and Prosperity Partnership of North America
<b>EU</b>	European Union	<b>TIEA</b>	Trade and investment enhancement agreement
<b>FDI</b>	Foreign direct investment	<b>TRIPS Agreement</b>	Agreement on Trade-Related Aspects of Intellectual Property Rights
<b>FIPA</b>	Foreign investment promotion and protection agreement	<b>UAE</b>	United Arab Emirates
<b>FTA</b>	Free trade agreement	<b>U.S.-CAFTA-DR</b>	Free trade agreement between the United States, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras and Nicaragua
<b>FTAA</b>	Free Trade Area of the Americas	<b>WHTI</b>	Western Hemisphere Travel Initiative
<b>FTC</b>	Free Trade Commission	<b>WTO</b>	World Trade Organization
<b>GATS</b>	General Agreement on Trade in Services		
<b>GATT</b>	General Agreement on Tariffs and Trade		
<b>GCC</b>	Cooperation Council for the Arab States of the Gulf (formerly Gulf Cooperation Council)		