SUMMARY

1. During the review period (2015-18), the Canadian economy was characterized by moderate GDP growth, low inflation, a relatively stable federal government debt-to-GDP ratio, a declining current account deficit, and real exchange rate depreciation.

2. After two years of weak growth in 2015 and 2016 due to lower oil prices and the ensuing deterioration of its terms of trade, Canada experienced a strong expansion that started in the second half of 2016 and in 2017, as the economy responded to stimulative monetary and fiscal policies. Growth continued, albeit at a slower pace (1.8%) in 2018, largely reflecting lower contributions from household consumption and business investment. Canada is a largely open economy, which has long relied on trade as a driving force: aggregate two-way trade flows (imports plus exports) stand at approximately the equivalent of 65% of GDP. Canada has achieved a high standard of living for its population: GDP per capita in nominal terms reached USD 46,182 in 2018.

3. Canada has a diversified economy, with services accounting for around 70% of GDP throughout the review period. At the same time, Canada is among the world's largest producers of numerous natural resources, including timber, oil, gas, minerals, and ores. The manufacturing sector's share of GDP remained constant at 10.4% during the period, while mining accounted for almost 8% of GDP in 2018. Agriculture, energy and mining remain important drivers of Canadian trade and of its trade policy.

4. During most of the review period, a countercyclical fiscal policy was applied for economic stabilization purposes, and Canada posted small federal government budgetary deficits. In FY2017-18 (ending on 31 March 2018), this deficit reached 0.9% of GDP, virtually unchanged from FY2016–17. Throughout the review period, Canada also posted small provincial government operational deficits and a general government deficit, which includes federal, provincial, territorial, and local governments. Canada's gross federal debt stood at some 44% of GDP in the third quarter of 2018.

5. After peaking in 2015, Canada's current account deficit trended down, led by stronger services exports in 2016 and stronger goods exports in 2017. The deficit ranged between 2.4% and 3.5% as a percentage of GDP over the review period. The major exported products are mineral products and energy, but their share decreased from 29% of total exports in 2014 to 24% in 2018, due to declines in world prices. Exports of vehicles and transport equipment represented 16% of total exports in 2018, while agricultural and agri-food product exports accounted for about 11%. The main import categories include machinery and mechanical appliances, vehicles and transport equipment, chemical products, and mineral products (mainly energy). Canada remains heavily reliant on the United States' market, although, during the review period, there was an increase in two-way trade with China. Trade with Mexico also increased.

6. During the review period, according to the authorities, Canada's trade policy was focused on diversifying international trade and foreign direct investment (FDI), and on pursuing an inclusive approach to trade, focused on transparency, labour rights, the environment, small and medium-sized enterprises (SMEs), gender, and Indigenous peoples. A number of initiatives were launched to reach these goals, including: a new Export Diversification Strategy, with the goal of increasing overseas exports by 50% by 2025; improving support to companies looking to export, particularly SMEs; and promoting gender equality through reducing barriers to the participation of women in international trade. With respect to the latter, Canada showed leadership by expanding its internal impact assessment process to include labour and gender, and by incorporating Trade and Gender chapters in its new or revised FTAs.

7. As part of its trade policy, Canada continued to pursue reciprocal FTAs during the review period, with the implementation, or provisional application, of three new Agreements: the Canada-European Union Comprehensive Economic and Trade Agreement (CETA), the Canada-Ukraine Free Trade Agreement (CUFTA), and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Canada was also active in updating and expanding existing FTAs in order to modernize certain FTA provisions, when revised agreements were negotiated with Chile, Israel, and NAFTA partners; however, only the agreement with Chile entered into force, in February 2019. Canada is now a party to 14 FTAs. FTA trade is heavily dominated by

Canada's NAFTA trading partners, with the United States and Mexico accounting for 94% of imports under FTA provisions in 2017.

8. Canada's long-standing Agreement on Internal Trade (AIT) was replaced, on 1 July 2017, by the Canadian Free Trade Agreement (CFTA). The new Agreement brings about wider and more in-depth coverage of internal trade, as it incorporates almost all economic activities and deepens the coverage of many provincial and territorial commitments, in particular on government procurement. It has provisions for reducing regulatory barriers through a mechanism for regulatory cooperation; strengthens dispute settlement procedures; increases alignment with Canada's international obligations; and includes new provisions on environmental protection and labour mobility.

9. During the review period, Canada actively participated in the regular work of the WTO committees, negotiations, dispute settlement, monitoring, and plurilateral initiatives. It also played a leadership role by chairing WTO bodies and promoting initiatives such as trade and gender in the WTO, as well as through its work on WTO reform. Canada notified the WTO of its acceptance of the Trade Facilitation Agreement (TFA) on 16 December 2016. Canada completed the procedures and implemented its commitments under the Information Technology Agreement (ITA) Expansion, and regularly met its notification requirements during the period.

10. FDI remains an important aspect of Canada's economy, with direct investment abroad amounting to over CAD 1 trillion in 2017, equivalent to over 50% of its GDP. Since its last Review, Canada stepped up efforts to improve its FDI attractiveness, with the establishment of Invest in Canada, a one-stop shop for foreign investment, the development of Guidelines on the National Security Review of Investments, and the elimination of the formal approval procedures for many potential investments through the increase of investment review threshold levels. However, most long-standing foreign investment restrictions remain in place, although there has been a relaxation of ownership rules for the airline sector. Canada's investment framework comprises the Investment Canada Act (ICA), 1985, which remains largely unchanged since the last Review; 37 bilateral investment treaties, known as Foreign Investment Promotion and Protection Agreements (FIPAs); and 12 FTAs that have dedicated chapters on investment.

11. During the review period, there were no significant amendments to the Customs Act, except with respect to, *inter alia*, regulations concerning reporting requirements on Advance Commercial Information (ACI), requiring commercial clients to provide Canada Border Services Agency (CBSA) officers with electronic pre-arrival information. The ACI/eManifest programme became operational in all modes of transportation after the eManifest requirements for all highway and rail shipments became legally binding in July 2015. However, ACI/eManifest's commercial reporting requirements and time-frames for required documentation differ depending on the mode of transportation and the type of commercial client. Moreover, the CBSA rolled out two new initiatives to facilitate trade, namely the Single Window Initiative and Phase 1 of the CBSA Assessment and Revenue Management (CARM).

12. The 2019 average applied MFN tariff is 6.1%, slightly up from 6.0% in 2014, mainly due to changes in the tariff structure. About 70.4% of tariff lines are duty-free on an MFN basis, a higher percentage than in 2014 (67.0%), mainly reflecting the elimination of import duties on products under the ITA Expansion, and the unilateral tariff elimination on certain imported products used in the agri-food processing industry. Canada continues to apply some non-*ad valorem* duties (3.7% of total tariff lines) on agricultural products. Tariffs on agricultural products (WTO definition) remain higher (the simple average is 21.8%, and there are some tariff peaks with *ad valorem* equivalents (AVEs) of over 100%) than on non-agricultural products (2.5%). Tariff rate quotas (TRQs) are applied on 159 tariff lines, including dairy products, poultry and egg products, beef and veal, and certain wheat and barley products. Some 99.7% of tariff lines are bound; the exceptions comprise products such as gas, petroleum, electrical energy, and vessels. A wide range of tariff and tax exemptions are provided under specific regulations.

13. Canada grants preferential tariff treatment under bilateral or plurilateral agreements, or under unilateral concession schemes. Preferential schemes include the newly-signed FTAs with the European Union (EU), Ukraine, and the 11 CPTPP countries. Under most FTAs, duty-free treatment (including MFN duty-free) covers 95% of tariff lines. The simple average tariff for FTA partners is slightly over 3.0% (e.g. 3.7% for CPTPP partners, 3.3% for the European Union and Ukraine). However, the simple average preferential rates for agricultural products remain high (ranging

between 17% and 21%, as compared to an MFN average tariff of 21.8%), mainly due to exceptions from preferences for certain agricultural products such as dairy produce, and meat and fish products. On the other hand, tariffs on non-agricultural products are nearly all zero.

14. Canada's system of indirect taxation includes a 5% value added tax (Federal Goods and Services Tax), normally with an additional provincial component levied on the same tax base (Harmonized Sales Tax) or on a tax base that may be different (Provincial Sales Tax). The Federal Government also levies excise duties on alcoholic beverages, tobacco products, certain petroleum products, and a few other items. The provinces and territories levy their own product-specific taxes, often on the same type of goods. Except for increases in some tax rates, the tax regime has remained stable overall in the period under review. Following the announcement of the Pan-Canadian Approach to Pricing Carbon Pollution in 2016, a federal system or provincial schemes (in line with the federal benchmark) are being put in place to ensure that carbon pollution pricing will apply to a broad set of emission sources throughout Canada, with increasing stringency over time. In conjunction with the legalization of cannabis for non-medical purposes in Canada in October 2018, an excise duty framework was developed for cannabis products.

15. The basic features of Canada's import controls regime remain unchanged since the last Review. Updated regulations to ban asbestos and asbestos products came into force at the end of 2018, and previous control measures were repealed. For certain softwood lumber products exported to the United States, export restraints applied by Canada under certain market conditions are no longer in effect, following the expiry of a bilateral agreement on 12 October 2015.

16. Canada continues to be active user of trade remedies. Between 2015 and 2018, 45 anti-dumping (AD) investigations were initiated and 33 measures were adopted, compared with 24 measures adopted between 2011 and 2014. However, after an increase in 2015 and 2016, the number of measures applied in 2017 and 2018 declined. As at 31 December 2018, there were 83 definitive AD measures in place, compared with 53 reported in December 2014. Over two thirds of the measures were applied on steel products; 12% were on other metal products; 8% were on agricultural products; and the remainder were on miscellaneous manufactured products. The measures applied to 29 trading partners. The average length of the AD measures in place as at December 2017 was 6.4 years. As at 31 December 2018, there were 28 countervailing (CV) duty measures and 1 provisional safeguard measure in place. During the 2015-18 period, there were 55 expiry (sunset) review initiations; as at 31 December 2018, 36 of the reviews had been concluded, and in 33 cases the AD/CV duties were continued, albeit in five cases some products were excluded from the order. Canada's trade remedies legislation was modified during the period under review. One of the main changes was the introduction of legislation enabling anti-circumvention investigations to determine whether goods are being imported for the specific purpose of circumventing existing AD or CV duties. Another main change was the introduction of Scope Proceedings to establish whether a particular product falls within the scope of an existing AD and/or CV measure.

17. Canada does not have overarching legislation governing incentives. Various federal agencies and provincial/territorial governments implement incentives programmes. Innovation, Science and Economic Development (ISED) Canada maintains two special financing programmes: the Strategic Innovation Fund (SIF), open to businesses of all sizes across all industrial and technology sectors, and the Canada Small Business Financing Program (CSBFP) for small businesses. The SIF was launched in July 2017 to enhance competitiveness and incorporates four ISED legacy programmes: the Strategic Aerospace and Defence Initiative (SADI), the Automotive Innovation Fund (AIF), the Automotive Supplier Innovation Program (ASIP), and the Technology Demonstration Program (TDP). The SIF provides repayable and/or non-repayable contributions to attract and support new high-quality and innovative business investments in Canada.

18. The development of technical regulations in Canada is decentralized; they are established by several federal and provincial authorities. At the federal level, the development of technical regulations must follow the Cabinet Directive on Regulation and the Policy on Regulatory Development, which apply to all federal departments, agencies, and entities. The Directive sets four guiding principles of federal regulatory policy: a) regulations must protect and advance the public interest and support good government; b) the regulatory process must be open and transparent; c) regulatory decision-making must be evidence-based; and d) regulations must support a fair and competitive economy. During the period under review, Canada continued to regularly notify its draft technical regulations, ordinances, and conformity assessment procedures

to the TBT Committee. Between 2015 and October 2018, Canada submitted 207 notifications, including corrections and appendices. Of these, 137 were new technical regulation notifications. Since 2015, only one specific trade concern (STC) regarding Canada's technical regulations was raised in the TBT Committee.

19. Regarding the application of sanitary and phytosanitary measures, the Safe Food for Canadians Act (SFCA) and the Safe Food for Canadians Regulations (SFCR) came into effect on 15 January 2019, representing the most important revision of food safety regulations in 25 years. The SFCA consolidates the authorities under other pertinent legislation and the food provisions of the Consumer Packaging and Labelling Act. The SFCR replaces 14 sets of regulations to reduce unnecessary administrative burdens on businesses. No new STCs were raised regarding measures maintained by Canada in the WTO Committee on Sanitary and Phytosanitary Measures since its last Review.

20. Federal procurement policy is conducted by individual government entities as well as by two common service organizations, Public Works and Government Services Canada (PWGSC) and Shared Services Canada. All federal procurements over CAD 2 million are reviewed for potential regional and industrial benefits and other national objectives. Procurement at the sub-central level is governed by provincial or other sub-central government laws and procurement regulations. New provisions regarding inter-province procurement were put in place in 2017, reflecting the CFTA's procurement chapter. Key features of this chapter include an expansion of the scope of government entities covered by open procurement rules, and the establishment of new independent bid protest mechanisms in each jurisdiction. For procurement falling within the scope of the CFTA, the provinces grant similar access conditions to procurement from the rest of Canada. Some provinces grant provincial or regional preferences to procurement not falling within the scope of the CFTA or the GPA. Canada included commitments at the sub-central level in the revised GPA that came into force in 2014. Provinces and territories also have government procurement commitments under the CFTA, the CETA, and the CPTPP.

21. During the review period, intellectual property (IP) issues continued to play an important role in Canada's trade policy. In April 2018, Canada launched an Intellectual Property Strategy, primarily focused on developing new IP tools for businesses, on increasing awareness with respect to IP protection, and on countering IP misuse and identifying needed legislative reforms. Canada participates in several WIPO treaties: during the review period, Canada joined the Marrakesh Treaty, which came into force on 30 September 2016, and the Hague Agreement, which entered into force on 5 November 2018. Also, during the review period, the Government entered into bilateral and plurilateral agreements with other countries, where IP issues were covered, including the CETA, the new Canada-United States-Mexico Agreement, and the CPTPP; the implementation of these Agreements will require changes to Canada's IP protection system. Since the last Review, Canada introduced significant amendments to its Copyright Act (e.g. on first distribution rights; rights of authors, performers and makers of sound recordings; copyright exceptions; and safe-harbour provisions for Internet service providers), its Trademarks Act (e.g. term and conditions of registration) and its Patent Act (e.g. with respect to filing date requirements; the abandonment/reinstatement regime; restoration of priority; revocation of granted patents; and protection of third parties), some of which are yet to be implemented.

22. Canada is a net agricultural exporter, despite considerable imports of processed food. A highly export-oriented crop sector, and the beef and pork industries contribute to the trade surplus, which was running at approximately CAD 12 billion annually in recent years. The dairy, poultry and egg industries are subject to supply management, designed to ensure that domestic demand is matched by regulated production and regulated imports. Market access is provided through WTO TRQs on 22 product groups and additional access under some of Canada's preferential arrangements. The CETA includes gradually-increasing quantities of cheese imports from the European Union, and Canada established 20 new TRQs under the CPTPP, to be phased in over 11 to 19 years, depending on the TRQ. Canada formally eliminated export subsidies for wheat, coarse grains, oilseeds, vegetable oils, oilcakes, and vegetables in December 2015, and has committed to eliminate its remaining export subsidies by the end of 2020 in accordance with the Nairobi Ministerial Decision on Export Competition. The main programmes and services supporting the agricultural sector are provided through a joint federal and provincial/territorial policy framework of a five-year duration. The Growing Forward 2 Framework was succeeded by the Canadian Agricultural Partnership on 1 April 2018. The Partnership foresees expenditures on federal programmes and activities totalling CAD 1 billion over the current five-year period. A further CAD 2 billion is being made available on a

cost-shared basis for programmes and activities designed and delivered by the provincial and territorial authorities.

23. Canada's forestry sector was characterized by steady output and generally increasing exports during the review period, with the sector contributing to 7.1% of total exports in 2017. The main forest products continue to be newsprint, softwood lumber, and bleached softwood kraft pulp, although softwood lumber remains dominant in terms of production and trade. The longstanding Softwood Lumber Agreement (SLA) with the United States expired in October 2015, bringing an end to the managed trade of this product; subsequently, trade remedies were imposed, and disputes ensued. The provinces and territories retain about 90% of the ownership of the forests; the Canadian Council of Forest Ministers (CCFM) remains the main forum for the provinces and territories to work cooperatively on policy and management issues. The federal support programmes remain largely intact.

24. Canada remains a net exporter of fish and fish products. A review of the legal framework for fisheries is underway since 2016, and Bill C-68, proposing amendments to the Fisheries Act to ensure the long-term sustainability of marine resources, is currently before Parliament. Canada cooperates with international partners to fight illegal, unreported, and unregulated (IUU) fishing worldwide; in October 2018, Canada and nine other countries signed the Agreement to Prevent Unregulated Commercial Fishing on the High Seas in the Central Arctic Ocean. Canada continues to work towards the ratification of the Port State Measures Agreement (PSMA), signed in November 2010. As part of the ratification process, and in order to meet its commitments under the PSMA, amendments to the Coastal Fisheries Protection Act (CFPA) and related regulations are currently being considered.

25. Canada accounts for a large share of the world's proven oil and gas reserves, and has significant mineral wealth. It is also one of the world's largest crude petroleum producers. The minerals sector contributed approximately 19.5% to total goods exports in 2017, while the contribution of the energy sector was 22.5%. Both energy and mining are open to trade and to foreign investment, subject to reservations, some of which are listed in Canada's FTAs. Several provincial reservations regarding investment remain in place. Over half of Canada's natural gas production is exported, all to the United States. Exports of natural gas and natural gas liquids require authorization, either in the form of a short-term export order, or a long-term licence valid for up to 40 years. Canada is a net exporter of electricity, exclusively to the United States. Public ownership of electricity utilities is the norm in Canada, with a single, vertically-integrated provincial Crown corporation regulating electricity generation, internal transmission and distribution, although there are some exceptions.

26. Manufacturing in Canada covers 21 industry groups that produce goods for both industrial and consumer use. Of particular importance are the automotive and aircraft industries. Canada is part of the fully-integrated North American market, with an annual production of almost 2.24 million vehicles, of which 85% are exported. Canada is home to more than 700 aerospace companies; the aircraft industry exports about 75% of its output, and is highly integrated. Support schemes have been moving away from specific industries and are now focused on innovation and R&D. In this regard, the SIF supports innovation activities across all industrial sectors. Although Canada's steel industry represented just 2.1% of total manufacturing production in 2018, steel is an important input in Canada's main industries. In response to the imposition of tariffs of 25% by the United States in June 2018 following a Section 232 investigation, Canada imposed surtaxes on imports of steel, aluminium and other products from the United States, for a value considered equivalent to the Canadian exports affected by the U.S. tariffs and for the duration of these measures. In June 2018, Canada announced that it would make available up to CAD 2 billion to defend and protect the interests of Canadian workers and businesses in the steel, aluminium and manufacturing industries, including support through the SIF. In October 2018, Canada imposed provisional safeguard measures on seven categories of steel products, in response to an increase in imports. A 25% surtax applies to imports that exceed a specified quantity threshold based on historical import volumes.

27. Canada has a sound financial services sector, which is relatively concentrated, with a few large, well-capitalized institutions accounting for the bulk of total assets. The regulation and oversight of financial institutions is shared among federal, provincial, and territorial authorities. Banks are generally prohibited from engaging in commercial activities. However, Parliament passed legislation that provides greater flexibility for federally-regulated financial institutions (including banks) to undertake in-house commercial activities related to the provision of financial services.

Implementation is awaiting the coming into force of enabling regulations. The acquisition of control of, or significant interest in, banks is subject to checks and restrictions that apply equally to domestic and foreign acquirers. The Minister of Finance's approval is required for any acquisition of a significant interest (over 10%) of voting or non-voting shares in any bank.

28. Insurance companies can incorporate either federally or provincially. Canada's federal insurance legislation prohibits the establishment of "composite" companies. Insurers must obtain licences for the classes of insurance they intend to underwrite. Federally-incorporated insurance companies may engage in other financial services activities, either in-house or through investments in other entities, but are restricted in their ability to engage in non-financial commercial activities. The licensing of insurance intermediaries is governed by provincial laws. The acquisition of control or ownership of any insurance company with equity of CAD 2 billion or more is subject to restrictions. Securities markets are regulated by the 13 provincial and territorial securities regulators. Dealers, advisers, and investment fund managers are required to register with the securities regulatory authority in each province or territory where they do business. All provincial regulators, except Ontario, participate in the "passport system", which, for the matters covered by the passport, gives market participants approval in all passport jurisdictions once a decision from its principal regulator is obtained and the requirements of specific harmonized laws are met.

29. Canada continued the development of its main infrastructure sectors, i.e. transport and communications, during the review period, although there have not been any significant changes in policy direction and the main applicable legislation remains largely unchanged. As regards maritime transport, there were some developments, with changes to the Coasting Trade Act, as all ships are now allowed to reposition their empty containers between locations in Canada on a non-revenue basis without a coasting trade licence. Also, as a result of the CETA, certain targeted domestic maritime services were liberalized. Recent developments in the telecommunications sector include preparation for the gradual deployment of the 5G standard across Canada, and the launching of consultations processes with a view to modernizing the Telecommunication Act, the Broadcasting Act, and the Radiocommunication Act in the near future.

30. Canada's tourism sector has seen strong growth in recent years, in part driven by increased air capacity, the removal of certain visa requirements, and liberalization initiatives undertaken in FTAs. A new policy, Tourism Vision, was launched in 2017, outlining a number of important points to increase tourism and setting ambitious targets for further growth.