

# FREE TRADE AGREEMENTS: A TOOL FOR ECONOMIC PROSPERITY



## Report of the Standing Senate Committee on Foreign Affairs and International Trade

The Honourable Raynell Andreychuk, Chair  
The Honourable Percy E. Downe, Deputy Chair

February 2017



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CANADA

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## ACKNOWLEDGEMENTS

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Canada's ongoing economic prosperity is closely tied to our ability to maintain free trade agreements that leverage benefits, minimize challenges and grant Canadians businesses access to increased global opportunities. Over the past few decades, Canada negotiated and signed a number of new free trade agreements, including an ambitious agreement with the European Union. Trade negotiations are also currently underway with a number of other trading partners. As we continue to move forward with this trade agenda, it remains critically important that we negotiate and implement agreements that effectively respond to the needs of Canadians.

It was within this context that the Standing Senate Committee on Foreign Affairs and International Trade undertook a broad study of free trade agreements. From February to November 2016, the Committee held 18 meetings and heard testimony from 53 witnesses. The present report explores the benefits as well as the challenges associated with free trade agreements. It also underscores the need of the Government of Canada in negotiating and implementing free trade agreements in a broader context of economic policy with greater consultation of Canadians.

On behalf of the Committee, I wish to extend our deepest gratitude to the witnesses who appeared before the Committee to share their expertise. Their knowledge deepened our understanding of the complexities of comprehensive free trade agreements, and informed the recommendations included within the report.

I wish to thank all Committee members as well as staff for thoughtfully engaging with all available materials. In particular, I would like to extend my appreciation to members of the steering committee, Senator Percy E. Downe, Deputy Committee Chair, and Senator Thanh Hai Ngo.

I would also like to convey my appreciation to our analysts from the Library of Parliament, Pascal Tremblay and Natalie Mychajlyszyn, who worked tirelessly to consolidate the testimonies collected in order to produce a timely, pertinent and worthwhile report. A special thank you to our Committee Clerk Marie-Eve Belzile, as well as her predecessor Danielle Labonté, for their efficiency in facilitating witnesses and coordinating all administrative matters. Finally, I wish to thank our team of translators and interpreters, who expertly enabled our Committee to complete this study in both official languages.

Within the context of an increasingly competitive global economy, Canada must remain timely and current in its approach to trade policy. It is the hope of the Committee that the Government of Canada will carefully consider the recommendations included herein, and that the insights



shared within this report will assist in maximizing the benefits of international trade for all Canadians.

*Senator Raynell Andreychuk  
Chair of the Committee*



## ORDER OF REFERENCE

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Extract from the *Journals of the Senate*, Wednesday, January 27, 2016:

The Honourable Senator Andreychuk moved, seconded by the Honourable Senator Tkachuk:

That the Standing Senate Committee on Foreign Affairs and International Trade, in accordance with rule 12-7(4), be authorized to examine such issues as may arise from time to time relating to foreign relations and international trade generally; and

That the committee report to the Senate no later than June 30, 2017.

After debate,

The question being put on the motion, it was adopted.

*Clerk of the Senate*

Charles Robert



## **THE COMMITTEE**

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**The following Senators have participated in the study:**

The Honourable Raynell Andreychuk, Chair  
The Honourable Percy E. Downe, Deputy Chair

and

The Honourable Salma Ataullahjan  
The Honourable Anne Cools  
The Honourable Jane Cordy  
The Honourable Dennis Dawson  
The Honourable Nicole Eaton  
The Honourable Leo Housakos  
The Honourable Thanh Hai Ngo  
The Honourable Victor Oh  
The Honourable Rose-May Poirier

**Ex-officio members of the Committee:**

The Honourable Senator Peter Harder, P.C. (or Diane Bellemare)  
The Honourable Senator Claude Carignan, P.C. (or Yonah Martin)

**The committee would like to recognize the following Honourable Senators who are no longer members of the committee whose contribution to the study was invaluable:**

The Honourable Senators Johnson, Rivard and Smith, P.C. (Cobourg)

**Other Senators who have participated in the study:**

The Honourable Senators Beyak, Kenny, Lang, Marshall, Omidvar, Pratte, Raine, Unger, Wells

**Parliamentary Information and Research Service, Library of Parliament:**

Natalie Mychajlyszyn and Pascal Tremblay, Analysts

**Senate Committees Directorate:**

Marie-Eve Belzile, Clerk of the Committee  
Debbie Larocque, Administrative Assistant





## EXECUTIVE SUMMARY

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Since the early 1990s, there has been a marked increase in the number of bilateral and regional free trade agreements (FTAs) in force worldwide. Canada's first FTA, the *Canada–United States Free Trade Agreement*, entered into force in 1989; since then, the number of FTAs that the country has concluded has been consistent with this global trend. At present, Canada has 11 FTAs in force, which provides preferential market access to 15 countries.

In 2016, Canada signed two regional FTAs: the Comprehensive Economic and Trade Agreement (CETA) with the European Union (EU); and the Trans-Pacific Partnership (TPP), which is the name that is commonly used when referring to the agreement reached by 12 countries in the Asia-Pacific region, including Canada. Canada's CETA and TPP negotiations reignited debates throughout the country about the advantages and disadvantages of FTAs for Canada. While Canada and the EU expect CETA to enter into force in 2017, it appears that the TPP – at least in its current form – will not be implemented.

In advance of parliamentary reviews of legislation that would implement FTAs recently signed by Canada, the Standing Senate Committee on Foreign Affairs and International Trade (the “Committee”) undertook a broad study of FTAs, in the course of which witnesses discussed the benefits and challenges for Canada that result from various aspects of these agreements.

During the study, witnesses commented on the importance of international trade to Canada's economy, and underscored that FTAs are critical tools for Canadian businesses to compete and succeed globally. They highlighted, for instance, that FTAs provide these businesses with expanded, diversified and more predictable market access, and help to ensure businesses' ability to compete on a level playing field with their international competitors. In addition, some witnesses noted the existence of research that links the existence of FTAs to enhanced productivity and innovation in Canada's economy.

Witnesses also observed that FTAs help businesses to take advantage of global economic developments, including the rise of global value chains. According to the Committee's witnesses, the increased interconnectedness among trade, investment, services and intellectual property that is associated with these value chains requires the negotiation and implementation of FTAs that contain provisions on a wide range of trade-related issues.

Although the federal government regularly states that “Canada is a trading nation,” it often assumes that the extent to which Canadians benefit from international trade is universally understood. In light of the testimony it received, the Committee believes that there is an opportunity for the Government of Canada to encourage greater interest on the part of Canadians



about the importance of international trade for their country's prosperity. Therefore, the Committee recommends:

### **Recommendation 1**

**That the Government of Canada engage more actively in activities aimed at increasing consultations with – and direct engagement of – Canadians on the importance of international trade and the relevance of trade agreements to Canada's economic prosperity.**

Moreover, although the present report – as indicated in its title – focuses on FTAs as a tool for economic prosperity, these should be seen only as one of a variety of policy tools available to promote economic prosperity in Canada. As well, witnesses stressed that FTAs alone are not sufficient to help Canadian businesses maximize international trade-related opportunities. These witnesses discussed a variety of issues that they believe the Government of Canada should consider in order to foster Canada's economic and trade performance, as well as to ensure that Canadians are able to benefit from the recently concluded FTAs.

Feeling that the Government of Canada needs to make additional efforts to improve Canada's policy environment in order to maximize the benefits of trade, the Committee recommends:

### **Recommendation 2**

**That, as free trade agreements do not guarantee success for Canadian businesses in the global marketplace, the Government of Canada ensure that coordinated policies in relation to international and internal trade, innovation, infrastructure, education and other relevant sectors provide the economic foundation required by Canadian businesses and workers to maximize the potential benefits of free trade agreements.**

In addition, witnesses indicated that the Government of Canada should more proactively reach out to Canadian businesses that may be interested in export opportunities arising from the implementation of a new FTA. For example, the Committee was told that officials who provide federal trade promotion services should be ready to engage with Canadian businesses as soon as an FTA enters into force. In order to prepare the federal government for this task, the Committee is of the view that each new FTA should be accompanied by a publicly available "FTA implementation strategy" that would identify the federal measures designed to help Canadian businesses benefit from that specific agreement.

During the study, the Committee also heard about the challenges relating to the implementation of FTAs. For example, witnesses noted the increase in Canada's merchandise trade deficits with



FTA partners, and the failure of some FTAs to lead to the expected growth in Canadian exports of value-added goods. Some witnesses mentioned that, among other outcomes, economic adjustments resulting from trade liberalization can result in domestic job losses and increased competition in a range of Canadian sectors. Witnesses stated that the negotiation process for an FTA involves balancing offensive and defensive trade interests, and that some sectors and workers can therefore be negatively affected by the economic adjustments resulting from the implementation of an FTA.

The Committee is of the opinion that the Government of Canada should develop, and make public, a “FTA implementation strategy” designed to help Canadians and Canadian businesses benefit from the trade opportunities arising from a new FTA, as well as to mitigate the negative effects of that FTA on workers and sectors. Thus, the Committee recommends:

### **Recommendation 3**

**That, when a free trade agreement is signed and prior to its ratification, the Government of Canada make public a “free trade agreement implementation strategy” in relation to that agreement. The strategy should identify federal measures in two areas: those designed to help Canadian businesses benefit from that agreement, including in relation to trade promotion; and those intended to mitigate the agreement’s potentially adverse impacts, including transition programs for negatively affected Canadian workers, sectors and regions.**

### **Recommendation 4**

**That, among the federal measures to be included in a “free trade agreement implementation strategy,” the Government of Canada create a task force comprising representatives from key federal departments and agencies. The task force, which should begin operations immediately after the free trade agreement is signed, but before it enters into force, should coordinate the federal measures designed to help Canadian businesses benefit from that agreement, including in relation to trade promotion efforts. The task force should consult with relevant stakeholders, including business associations and provincial and territorial governments, and should inform these stakeholders about the implementation of these federal measures.**

In addition, the Committee believes that the effectiveness of Canada’s federal programs and measures designed to assist workers and sectors facing increased competition following the implementation of an FTA should be evaluated in order to assess the extent to which – and manner in which – these programs and measures could be enhanced to contribute to more



inclusive sharing of the benefits of international trade. Consequently, the Committee recommends:

### **Recommendation 5**

**That the Government of Canada commission one or more independent evaluations of the effectiveness of the federal measures intended to mitigate the potentially adverse impacts of free trade agreements on Canadian workers, sectors and businesses. These evaluations should be used to enhance the effectiveness of such measures, and inform the development of future “free trade agreement implementation strategies.”**

The Committee also heard that comprehensive FTAs – of which the Canada–EU CETA and the TPP are two examples – affect domestic regulation in policy areas that traditionally have not been associated with FTAs. According to some witnesses, this change may be contributing to a perception that the freedom of governments to regulate in the public interest is diminishing. In particular, a number of witnesses expressed concerns about the investor-state dispute settlement mechanisms contained in investment treaties or FTAs, saying – among other things – that these mechanisms might reduce the ability of governments to regulate. Others expressed concern about the inclusion in agreements such as CETA or TPP of intellectual property provisions that go beyond the level of protection required by Canada’s current intellectual property regime.

In light of some of the concerns associated with comprehensive FTAs, the Committee underlines that FTA negotiations that lack transparency may contribute both to a perception that such agreements are not necessarily negotiated in the public interest, and to scepticism about the economic benefits of FTAs. With proponents and critics of FTAs mentioning to the Committee that Canada would benefit from more transparency during FTA negotiations, and suggesting that more inclusive and extensive consultations could improve the quality and range of input during negotiations, including negotiations concerning FTAs already in force, the Committee recommends:

### **Recommendation 6**

**That the Government of Canada establish a formal consultation process when defining a negotiating mandate in relation to a particular free trade agreement. Consultations should continue throughout the negotiation process, provide timely updates and be open to all relevant stakeholders, including the public. As well, consultations should lead to the identification of measures to be included in a “free trade agreement implementation strategy.”**



In the Committee's opinion, increased consultation with parliamentarians about new and ongoing FTA negotiations – including negotiating mandates and progress made during negotiations – should be among the Government of Canada's efforts designed to enhance FTA-related transparency. While recognizing the need to safeguard the confidentiality of information, the Committee feels that providing parliamentarians with timely information about progress made during negotiations could enable them to be more effective legislators. In addition, this approach would be appropriate as FTAs involve an increasing number of areas of domestic regulation. From that perspective, the Committee recommends:

### **Recommendation 7**

**That, in order to enable parliamentarians to serve as effective legislators in relation to international trade agreements, the Government of Canada report throughout the negotiation process to the Standing Senate Committee on Foreign Affairs and International Trade, and the House of Commons Standing Committee on International Trade. Reports to these parliamentary committees should occur on a quarterly basis, and should provide information on negotiating mandates and progress made during negotiations. When required, sensitive information should be disclosed to these committees with strict adherence to in camera rules.**

Furthermore, witnesses highlighted that current trade-related statistics do not comprehensively or accurately portray the trade flows occurring within global value chains. For example, some witnesses indicated that current data underestimate the value of Canadian services exports that occur in the context of these value chains. Considering the importance of international trade to Canada's economic prosperity, the Committee is of the opinion that the Government of Canada should encourage initiatives that would provide a more accurate and complete analysis of trade flows, and thereby improve the understanding of Canadian businesses' participation in global value chains. For these reasons, the Committee recommends:

### **Recommendation 8**

**That the Government of Canada expedite research initiatives led by Statistics Canada that are aimed at providing a more accurate and complete analysis of the participation of Canadian businesses in global value chains.**

As well, witnesses suggested that, in addition to undertaking economic impact assessments before implementing an FTA, Canada should consider a formal process for analyzing the effects – including the benefits and costs – of FTAs following their implementation. Lessons learned from the implementation of previous FTAs, and improved data on trade flows occurring within global value chains, should inform future FTA negotiations, the design of worker and sectoral



adjustment programs, and other relevant economic and trade policies aimed at maximizing the benefits of international trade for Canada. From that perspective, the Committee recommends:

### **Recommendation 9**

**That, prior to the ratification of a free trade agreement, the Government of Canada publicly report the expected economic, labour, environmental, social and other outcomes in relation to that agreement. Moreover, five years after the ratification of such an agreement, the Government should commission one or more independent evaluations to analyze the agreement's outcomes, and should table a report outlining these outcomes in both the Senate and the House of Commons. These reports should thoroughly describe the methodology used in the analysis, and clearly identify the agreement's benefits and costs for Canada.**

Finally, it is important to note that the hearings for this study took place from 18 February to 3 November 2016. Global events that occurred both during and following these hearings have highlighted a trend that some commentators describe as a rise in protectionist sentiments and discourses throughout various countries, including in Europe and the United States. Depending on the extent to which such a trend will be reflected in actual government policies, this shift could have considerable implications for Canada's economy and international trade, as well as for the global economic and trading system.

In the Committee's view, when the Government of Canada considers the recommendations made in this report, it should bear in mind that Canada is not immune to the rise in protectionist sentiments occurring in a number of developed countries. Helping Canadians and Canadian businesses maximize the opportunities resulting from FTAs, and responding appropriately to the challenges resulting from these agreements, are two approaches that should – together – increase the benefits of trade for Canada, as well as build public confidence in the importance of international trade for the country's prosperity.



## LIST OF RECOMMENDATIONS

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### **Recommendation 1 (Chapter 2, Section F)**

**The Committee recommends that the Government of Canada engage more actively and more directly in activities aimed at increasing consultations with – and direct engagement of – Canadians on the importance of international trade and the relevance of trade agreements to Canada’s economic prosperity.**

### **Recommendation 2 (Chapter 4, Section F)**

**As free trade agreements do not guarantee success for Canadian businesses in the global marketplace, the Committee recommends that the Government of Canada ensure that coordinated policies in relation to international and internal trade, innovation, infrastructure, education and other relevant sectors provide the economic foundation required by Canadian businesses and workers to maximize the potential benefits of free trade agreements.**

### **Recommendation 3 (Chapter 4, Section F)**

**The Committee recommends that, when a free trade agreement is signed and prior to its ratification, the Government of Canada make public a “free trade agreement implementation strategy” in relation to that agreement. The strategy should identify federal measures in two areas: those designed to help Canadian businesses benefit from that agreement, including in relation to trade promotion; and those intended to mitigate the agreement’s potentially adverse impacts, including transition programs for negatively affected Canadian workers, sectors and regions.**

### **Recommendation 4 (Chapter 4, Section F)**

**The Committee recommends that, among the federal measures to be included in a “free trade agreement implementation strategy,” the Government of Canada create a task force comprising representatives from key federal departments and agencies. The task force, which should begin operations immediately after the free trade agreement is signed, but before it enters into force, should coordinate the federal measures designed to help Canadian businesses benefit from that agreement, including in relation to trade promotion efforts. The task force should consult with relevant stakeholders, including business associations and provincial and territorial governments, and should inform these stakeholders about the implementation of these federal measures.**



### **Recommendation 5 (Chapter 3, Section G)**

**The Committee recommends that the Government of Canada commission one or more independent evaluations of the effectiveness of the federal measures intended to mitigate the potentially adverse impacts of free trade agreements on Canadian workers, sectors and businesses. These evaluations should be used to enhance the effectiveness of such measures, and inform the development of future “free trade agreement implementation strategies.”**

### **Recommendation 6 (Chapter 3, Section G)**

**The Committee recommends that the Government of Canada establish a formal consultation process when defining a negotiating mandate in relation to a particular free trade agreement. Consultations should continue throughout the negotiation process, provide timely updates and be open to all relevant stakeholders, including the public. As well, consultations should lead to the identification of measures to be included in a “free trade agreement implementation strategy.”**

### **Recommendation 7 (Chapter 3, Section G)**

**In order to enable parliamentarians to serve as effective legislators in relation to international trade agreements, the Committee recommends that the Government of Canada report throughout the negotiation process to the Standing Senate Committee on Foreign Affairs and International Trade, and the House of Commons Standing Committee on International Trade. Reports to these parliamentary committees should occur on a quarterly basis, and should provide information on negotiating mandates and progress made during negotiations. When required, sensitive information should be disclosed to these committees with strict adherence to in camera rules.**

### **Recommendation 8 (Chapter 4, Section F)**

**The Committee recommends that the Government of Canada expedite research initiatives led by Statistics Canada that are aimed at providing a more accurate and complete analysis of the participation of Canadian businesses in global value chains.**





## **Recommendation 9 (Chapter 4, Section F)**

**The Committee recommends that, prior to the ratification of a free trade agreement, the Government of Canada publicly report the expected economic, labour, environmental, social and other outcomes in relation to that agreement. Moreover, five years after the ratification of such an agreement, the Government should commission one or more independent evaluations to analyze the agreement's outcomes, and should table a report outlining these outcomes in both the Senate and the House of Commons. These reports should thoroughly describe the methodology used in the analysis, and clearly identify the agreement's benefits and costs for Canada.**



## INTRODUCTION

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“Canada is a trading nation” is a phrase that resonates throughout the country. Although the phrase has become commonplace, its implications cannot be understated: the value of exports and imports of goods and services is equivalent to more than 60% of Canada’s gross domestic product (GDP);<sup>1</sup> more than 43,000 Canadian companies export;<sup>2</sup> and it is estimated that about one in five Canadian jobs are directly or indirectly related to exports.<sup>3</sup> For Canada, trade is a crucial source of economic prosperity.

The country has been considering the domestic implications of the recently signed Comprehensive Economic and Trade Agreement (CETA) with the European Union (EU) and Trans-Pacific Partnership (TPP) among 12 countries, the two most significant trade agreements – by virtue of the weight of their members in the global economy and Canada’s ongoing trade with them – that Canada has concluded since the entry into force of the *North American Free Trade Agreement* (NAFTA) in 1994. While Canada and the EU expect CETA to enter into force in 2017, it appears that the TPP – at least in its current form – will not be implemented.<sup>4</sup>

In advance of parliamentary review of legislations to implement trade agreements, such as the implementing legislation for CETA, the Standing Senate Committee on Foreign Affairs and International Trade (the “Committee”) undertook a broad study on free trade agreements (FTAs). However, the report is not intended to identify the Committee’s position on CETA; this position will become clear once the Committee studies the relevant implementing legislation.<sup>5</sup> Instead, with this study, the Committee sought to contribute to the debates about FTAs that have been occurring during recent trade negotiations. The resulting report is also part of the Committee’s ongoing efforts to ensure improvements in Canada’s trade policy.

Although the current report – as indicated in its title – focuses on FTAs as a tool for economic prosperity, FTAs should be seen only as one of a variety of policy tools available to promote economic prosperity in Canada. In this sense, the report does not comment on the importance of FTAs relative to other domestic economic priorities, such as those relating to competitiveness, innovation, infrastructure or education.

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<sup>1</sup> World Trade Organization (WTO), “[Canada](#),” *Trade Profiles*, September 2015.

<sup>2</sup> Statistics Canada, “[Trade by Exporter Characteristics: Goods, 2010 to 2014](#),” *The Daily*, 25 October 2016.

<sup>3</sup> Standing Senate Committee on Foreign Affairs and International Trade (AEFA), Kirsten Hillman, 42:1, Issue no. 2, [25 February 2016](#); Global Affairs Canada, [Canada’s State of Trade: Trade and Investment Update 2012](#), 2012, p. 45.

<sup>4</sup> Global Affairs Canada, “[International Trade Minister introduces legislation to Parliament to implement CETA](#),” News Release, 31 October 2016; The White House, “[Presidential Memorandum Regarding Withdrawal of the United States from the Trans-Pacific Partnership Negotiations and Agreement](#),” Memorandum for the United States Trade Representative, 23 January 2017.

<sup>5</sup> Canada cannot ratify an international treaty, such as the Comprehensive Economic and Trade Agreement (CETA) with the European Union (EU) or the Trans-Pacific Partnership (TPP) agreement, until measures are in place to ensure that the terms of the treaty are enforceable in Canadian law. For instance, to ratify CETA, an implementation bill would have to be adopted by Parliament in order for the terms of the treaty to be implemented in Canada.



During the study, the Committee asked witnesses to underline the benefits and challenges resulting from various aspects of FTAs. The Committee inquired about the pertinence of FTAs for the country's economic development, and about potential ways to mitigate the risks resulting from the implementation of such agreements. Since FTAs are a "tool" available to support the country's economic development and not an "end" in and of themselves, the Committee also posed a fundamental question: How can Canada ensure that the FTAs that it signs are to the net benefit of Canadians? The Committee also investigated the economic changes that shape the current global environment, particularly those that result from the fact that the various stages of production of a finished good are increasingly being dispersed among countries, a phenomenon often referred to as "global value chains."

In light of the testimony received, this report provides the Committee's general observations and recommendations regarding the negotiation and implementation of FTAs in the current global economic environment. During the study, the Committee heard from witnesses providing a wide variety of perspectives. Over the course of 18 hearings, the Committee heard from 53 witnesses. Witnesses included representatives of business associations, economists, academics, and federal officials involved in trade policy issues. While some witnesses focused their testimony on CETA and the TPP, most witnesses provided more general observations about the negotiation and implementation of FTAs, as well as their implications for Canada's trade and economic policies. Without exception, the Committee's witnesses welcomed the study's broad and future-oriented scope, believing that the study was both relevant and timely.

Chapter 1 of this report provides brief background information on rules-based trade liberalization and Canada's FTAs. Chapter 2 explains the manner in which FTAs help Canadian businesses compete and succeed in the current global trade environment, while Chapter 3 outlines the main concerns raised by witnesses about the potential negative impacts of FTAs. Recognizing that FTAs are only one of the tools that contribute to economic growth and prosperity, Chapter 4 highlights a number of other trade, economic and innovation policy issues that need to be tackled in order to maximize the extent to which trade agreements provide benefits for Canada.

Finally, it is important to note that the hearings for this study took place from 18 February to 3 November 2016. Global events that occurred both during and following these hearings have highlighted a trend that some commentators describe as a rise in protectionist sentiments and discourses throughout various countries, including in Europe and the United States.<sup>6</sup> Depending on the extent to which such a trend will be reflected in actual government policies, such as in increases to import tariffs or in the reopening or abrogation of existing trade agreements, this

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<sup>6</sup> See for instance: AEFA, Ross Hornby, 42:1, [3 November 2016](#); AEFA, Todd Evans, 42:1, [3 November 2016](#); Shawn Donnan, "[WTO warns on rise of protectionist measures by G20 economies](#)," Financial Times, 21 June 2016; Alexia Fernández Campbell, "[Trump's Protectionist Economic Plan Is Nothing New](#)," *The Atlantic*, 9 January 2017; Inside U.S. Trade, "[European think tanks fear protectionist trade agenda under Trump](#)," 23 November 2016.



shift could have considerable implications for Canada's economy and international trade, as well as for the global economic and trading system.

Nevertheless, the current report remains timely. In fact, the Committee considers that many of its recommendations, including those focused on the importance of transparency, evidence-based trade policy, and measures intended to mitigate the potentially adverse impacts of FTAs on workers, sectors and regions, are essential to better address protectionist sentiments while also equipping Canada to better respond to the fast-changing international trade environment.



## CHAPTER 1: CANADA AND RULES-BASED TRADE LIBERALIZATION

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The intensification of global trade flows since the 1990s has been an engine of growth for the global economy. The value of Canada's global trade in merchandise and services – as well as outward and inward foreign investment – has also grown substantially. At the same time, however, international competition has intensified, particularly as emerging countries have increased their participation in global trade. Because of this increased global competition, Canada's share of international trade has markedly declined: accounting for 3.7% of the value of global merchandise exports in 1995, Canada's contribution fell to 2.5% in 2015.<sup>7</sup>

International trade has a major impact on the country's economy. Canadian businesses and particular sectors and industries rely on international trade to increase their customer base, realize economies of scale, and access the inputs, technologies and skills that they need to succeed. Trade also provides individuals and businesses with access to a much wider variety of products.

In seeking to maximize the benefits of international trade for Canadians, the federal government uses a variety of trade policy tools. For example, in its June 2015 report entitled *Expanding Canadian Businesses' Engagement in Foreign Markets: the Role of Federal Trade Promotion Services*, the Committee underscored the essential role of the federal trade promotion service in helping Canadian businesses engage and expand in international markets.

Rules-based trade liberalization – which sets the rules regulating Canada's trading relationships through the implementation of trade agreements – is another strategic tool that the federal government can use to help Canadian businesses compete and succeed in the global marketplace.

### A. Rules-Based Trade Liberalization

The rules regulating Canada's trading relationships rest primarily on two main pillars. First, as one of the 23 original signatories to the 1947 *General Agreement on Tariffs and Trade* (GATT), Canada has participated in the establishment of the rules of the multilateral trading system since its inception. Established on 1 January 1995 as a result of the Uruguay Round negotiations, the World Trade Organization (WTO) succeeded the 1947 GATT, which had governed the rules of international trade since 1948.

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<sup>7</sup> Dylan Gowans, [Trade and Investment Series 2015: Canada's Merchandise Trade with the World](#), 2016; Dylan Gowans, [Trade and Investment Series 2015: Canada's Services Trade with the World](#), 2016.



The WTO and its agreements are the foundation of multilateral rules-based trade liberalization, regulating global trade in goods and services, as well as the trade-related aspects of intellectual property (IP), for the organization’s 164 member countries. By establishing rules that enhance predictability in the trading environment, prevent discrimination both among WTO member countries and between domestic and foreign firms, and provide a dispute settlement system to resolve trade disputes, the multilateral trading system administered by the WTO can be seen as Canada’s “trade agreement with the world.”<sup>8</sup>

Second, Canada’s trading relationships are also governed by the bilateral and regional FTAs that the country has signed with other countries. These FTAs allow signatory countries to grant each other preferential access to their domestic market with commitments that go beyond what is provided through the WTO’s agreements.<sup>9</sup>

FTAs are implemented with the expectation that they will stimulate further trade with strategic partners. Their provisions generally commit signatory countries to eliminate tariff and non-tariff barriers on a large variety of products, the effect of which is to reduce the cost of trade for exporters and importers. By committing these countries to a number of rules regulating their bilateral or regional trade, FTAs also mitigate the risks associated with doing business in the countries covered by such agreements, and therefore help to establish a predictable environment that is more conducive to international trade and investment.<sup>10</sup>

## **B. Economic Integration Through Comprehensive Free Trade Agreements**

While FTAs have traditionally focused on eliminating or reducing tariff and non-tariff barriers at the border, the scope of newly negotiated FTAs has moved beyond border measures to provide rules on a wider range of economic and policy issues: to reflect their more ambitious scope, this type of FTAs is often called “comprehensive” – or “deep” – agreements; CETA and the TPP are commonly described as examples of comprehensive agreements.

Comprehensive FTAs usually refers to trade agreements that include more ambitious liberalization commitments than those defined in WTO agreements. They can also comprise commitments in trade-related areas that are not currently – or consistently – covered by the WTO, such as investment, intellectual property (IP) rights, competition policy, harmonization and mutual recognition of regulatory standards, electronic commerce and labour mobility. “Non-traditional” trade-related areas, such as labour rights, human rights, anti-corruption and the

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<sup>8</sup> AEFA, Robert Wolfe, 42:1, Issue no. 5, [21 April 2016](#).

<sup>9</sup> Articles XXIV of the *General Agreement on Tariffs and Trade* of 1994 and XIV of the *General Agreement on Trade in Services* provide exemptions from the most-favoured nation treatment rule which allow – under certain conditions – for the establishment of free trade areas between contracting parties.

<sup>10</sup> AEFA, Kirsten Hillman, 42:1, Issue no. 2, [25 February 2016](#); AEFA, Claire Citeau, 42:1, Issue no. 4, [13 April 2016](#).



environment, are often included in comprehensive FTAs in order to establish broad guidelines about the conduct of the parties on such matters.<sup>11</sup>

The emergence of this type of agreement has been linked to the increasing importance of regional and global networks of production, or “global value chains,” a subject that will be discussed in further detail in Chapter 2.<sup>12</sup> Considering the nature and range of the trade-related issues covered by these agreements, they tend to include commitments that have implications on domestic policies, including policies under the responsibilities of entities such as the provinces and territories.<sup>13</sup>

At the global level, the number of bilateral and regional FTAs has increased rapidly since the early 1990s. According to the WTO, the number of bilateral or regional trade agreements in force – including FTAs and other types of trade agreements, such as customs unions – has grown from less than 50 in 1990 to more than 400 in 2016.<sup>14</sup> According to an analysis published by the Organisation for Economic Co-operation and Development (OECD), most of the FTAs in respect of which WTO has received notification since the early 2000s could be considered comprehensive agreements.<sup>15</sup>

However, there is no common standard for such agreements and the content of comprehensive agreements vary widely in terms of coverage of trade-related areas, depth of commitments, and level of enforceability. The term itself remains vague; for instance, a publication of the WTO noted that there “is no agreed definition of the scope of such comprehensive agreements.”<sup>16</sup>

### C. Canada’s Free Trade Agreements

Since the entry into force of the *Canada–United States Free Trade Agreement* in 1989, which was Canada’s first FTA, the number of bilateral and regional trade agreements concluded by Canada has followed the upward global trend. In 1994, the FTA with the U.S. was superseded by the *North American Free Trade Agreement* (NAFTA) among Canada, the United States and Mexico. Since then, an additional 10 FTAs have entered into force; at the moment, Canada’s

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<sup>11</sup> WTO, “[Anatomy of preferential trade agreements](#),” *World Trade Report 2011 – The WTO and preferential trade agreements: From co-existence to coherence*, 2011; WTO, *Regional Trade Agreements: Scope of RTAs*.

<sup>12</sup> WTO, “[Anatomy of preferential trade agreements](#),” *World Trade Report 2011 – The WTO and preferential trade agreements: From co-existence to coherence*, 2011; WTO, “[Causes and effects of PTAs: Is it all about preferences?](#),” *World Trade Report 2011 – The WTO and preferential trade agreements: From co-existence to coherence*, 2011.

<sup>13</sup> See for instance: Patricia Goff, « [Canadian Trade Negotiations in an Era of Deep Integration](#), » CIGI Papers, No. 88, 2016, p. 6.

<sup>14</sup> WTO, *Regional Trade Agreements: Facts and Figures*.

<sup>15</sup> Organisation for Economic Co-operation and Development (OECD), “[Deep Provision in Regional Trade Agreements: How Multilateral Friendly?](#),” Trade Policy Papers, February 2015.

<sup>16</sup> WTO, “[Causes and effects of PTAs: Is it all about preferences?](#),” *World Trade Report 2011 – The WTO and preferential trade agreements: From co-existence to coherence*, 2011, p. 110.



trading relationships are therefore regulated by 11 FTAs providing Canada with preferential market access to 15 countries.<sup>17</sup>

Canada's FTAs vary widely in their coverage of the different areas of trade, as well as in the depth of the commitments negotiated by the signatory countries in each of those areas. Some are considered to be "traditional agreements," as their main focus is trade in goods, such as Canada's FTAs with Jordan or its FTA with the European Free Trade Association, which governs Canada's trading relationships with Iceland, Liechtenstein, Norway and Switzerland. However, most of Canada's FTAs – such as NAFTA and the bilateral agreements with Chile, Colombia, Peru and South Korea – are wider in scope and tend to cover more extensively other trade-related areas, such as trade in services, investment promotion and protection, government procurement and labour mobility. One could therefore suggest that Canada's experience with comprehensive agreements began with NAFTA.

Canada officially signed two new regional FTAs in 2016: CETA and the TPP. Canada and the EU expect CETA to enter into force in 2017; in addition to eliminating tariffs on the movement of goods, CETA would also set commitments in a number of other trade-related areas, such as those relating to services, labour mobility, government procurement, investment, IP as well as regulatory harmonization and cooperation. The TPP would also have set commitments beyond the elimination of tariffs on goods, but it appears that the agreement will not be implemented in its present form.<sup>18</sup>

Because of their potential impact on Canada's economy, these two agreements reignited the debates about FTAs across the country. This study offered the Committee the opportunity to hear arguments from a wide range of views. Proponents underlined the benefits of FTAs for Canada's economic prosperity, with some characterizing FTAs as critical tools for Canadian businesses to compete and succeed globally. In contrast, other witnesses focused on challenges and concerns resulting from the implementation of FTAs, and voiced doubts about whether such agreements are a net benefit for Canadians. The following two chapters summarize the diverse opinions of witnesses and provide the Committee's observations on these issues.

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<sup>17</sup> In reverse chronological order, Canada has FTAs in force with the following countries or regions (the year of entry into force is in parentheses): South Korea (2015); Honduras (2014); Panama (2013); Jordan (2012); Colombia (2011); Peru (2009); the four countries of the European Free Trade Association, i.e., Iceland, Norway, Liechtenstein and Switzerland (2009); Costa Rica (2002); Chile (1997); Israel (1997); and the United States and Mexico (1994).

<sup>18</sup> The White House, "[Presidential Memorandum Regarding Withdrawal of the United States from the Trans-Pacific Partnership Negotiations and Agreement](#)," Memorandum for the United States Trade Representative, 23 January 2017.





## CHAPTER 2: FREE TRADE AS A TOOL TO COMPETE AND SUCCEED INTERNATIONALLY

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FTAs are a key trade policy tool used by the federal government to help businesses enter and expand in international markets. During the study, the Committee heard from many witnesses about the importance of FTAs as a tool to help Canadian businesses compete and succeed internationally. This section presents the main arguments of these FTA proponents.

### A. The Need for Market Access

According to Kirsten Hillman, Acting Assistant Deputy Minister, Trade Agreements and Negotiations, Global Affairs Canada, it is because of Canada's reliance on international trade for its economic prosperity that the federal government uses FTAs to increase and diversify access to international markets for Canadian goods and services, as well as to establish predictable rules regulating trade.<sup>19</sup> With a domestic population of 35.8 million people and a market representing about 2.1% of the global GDP, Canada is also a relatively small market.<sup>20</sup> A number of sectors in Canada's economy therefore rely heavily on their access to international markets to be profitable, and increase or sustain their growth.

Matthew Wilson, Senior Vice President, National Policy, Canadian Manufacturers & Exporters, underscored that "Canada's domestic market is just too small for manufacturers to thrive." He explained that manufacturing is an export-intensive business, and that "[more] than half of Canada's industrial production is directly exported, either as part of global supply chains and integrated manufacturing or as finished consumer goods [...]."<sup>21</sup> While access to the U.S. market remains crucial for Canada, partly because of the regional integration of many sectors of the North American economy, the witness stressed that Canadian businesses would benefit from trade opportunities beyond the United States.<sup>22</sup>

Likewise, Claire Citeau, Executive Director, Canadian Agri-Food Trade Alliance (CAFTA), told the Committee that Canada produces more food than it needs, with the result that the country's agriculture and food sector depends significantly on international markets. She stressed: "We export over half of everything we produce. That includes half of our beef, 65 per cent of our soybean, 70 per cent of our pork, 75 per cent of our wheat, 90 per cent of our canola, 95 per cent

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<sup>19</sup> AEFA, Kirsten Hillman, 42:1, Issue no. 2, [25 February 2016](#).

<sup>20</sup> The World Bank, [World Bank Open Data](#).

<sup>21</sup> AEFA, Mathew Wilson, 42:1, Issue no. 6, [5 May 2016](#).

<sup>22</sup> AEFA, Mathew Wilson, 42:1, Issue no. 6, [5 May 2016](#).



of our pulses and 40 per cent of our processed products. Ninety per cent of farmers across Canada depend on exports.”<sup>23</sup>

Witnesses said that Canada should continue to seek enhanced market access through FTAs.<sup>24</sup> For instance, some witnesses noted that implementing CETA would significantly diversify Canada’s market access, considering that this agreement would liberalize trade with the 28 EU countries, and that implementing the TPP would have liberalized trade with the seven parties to that agreement with which Canada does not already have an FTA.<sup>25</sup> In this regard, Brian Kingston, Vice President, Fiscal and International Issues, Business Council of Canada, underscored that implementing both agreements would have made “Canada the only G7 nation with free trade access to the [United States], the Americas, Europe and the Asia-Pacific region, including three of the world’s four largest economies.”<sup>26</sup>

## **B. Levelling the Playing Field**

During the study, Ms. Citeau and John Weekes, Senior Business Advisor, Bennett Jones Ottawa, both emphasized that the current global environment is one of “competitive trade liberalization.” They explained that, in such an environment, countries compete for preferential market access through bilateral and regional FTAs in order to provide their businesses with a competitive advantage.<sup>27</sup> In that environment, businesses gain an advantage if their country of origin has bilateral and regional FTAs that provide better market access than that of their competitors; if their country fails to have an FTA with a country or region, or has an FTA that provides a relatively lower level of access, then businesses can lose market share.<sup>28</sup>

In the view of some witnesses, Canada therefore needs to be part of bilateral and regional FTAs to ensure ongoing international competitiveness, either to be on a level playing field with, or to gain a competitive advantage over, their international competitors. According to Ms. Citeau, this context of competitive trade liberalization highlights the importance of continuing to expand Canada’s trading relationships through the timely negotiation and implementation of FTAs in order to ensure that Canadian businesses are able to export to key international markets in a manner that is at least equal to that of their competitors.<sup>29</sup>

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<sup>23</sup> AEFA, Claire Citeau, 42:1, Issue no. 4, [13 April 2016](#).

<sup>24</sup> See for instance: AEFA, Brian Kingston, 42:1, Issue no. 8, [19 May 2016](#); AEFA, Robert Wolfe, 42:1, Issue no. 5, [21 April 2016](#); AEFA, Martin Rice, 42:1, Issue no. 4, [13 April 2016](#).

<sup>25</sup> The seven TPP countries with which Canada does not already have an FTA are: Australia, Brunei Darussalam, Japan, Malaysia, New Zealand, Singapore and Vietnam.

<sup>26</sup> AEFA, Brian Kingston, 42:1, Issue no. 8, [19 May 2016](#).

<sup>27</sup> AEFA, Claire Citeau, 42:1, Issue no. 4, [13 April 2016](#); AEFA, John Weekes, 42:1, Issue no. 2, [24 February 2016](#).

<sup>28</sup> For examples of the concept of competitive trade liberalization, see John M. Weekes, Al Mussell and David McInnes, [Leveraging Trade Agreements to Succeed in Global Markets](#), The Canadian Agri-Food Policy Institute, 15 July 2014, p. 3-4.

<sup>29</sup> AEFA, Claire Citeau, 42:1, Issue no. 4, [13 April 2016](#); AEFA, John Weekes, 42:1, Issue no. 2, [24 February 2016](#).



Similarly, Mr. Weekes argued that “[countries] whose producers compete with Canadians in global markets are busy negotiating FTAs and in a number of instances are ahead of Canada. Canadians need at least an even playing field, and it would be better if they had the edge as new markets are opened up.”<sup>30</sup> Some witnesses, including Mr. Kingston and Ms. Citeau, referred to the TPP as an example, noting that if the TPP had entered into force without Canada, Canadian businesses would have lost market shares in the Asia-Pacific, including in Japan.<sup>31</sup>

### **C. Linking Canadian Businesses to Global Value Chains**

Factors such as trade liberalization and more efficient transportation and communication networks have transformed the way in which global production of goods is organized. Increasingly, the various stages of manufacturing processes are distributed among countries, allowing producers to procure and combine components and services originating from the most competitive sources.<sup>32</sup>

The concept of “global value chains” (GVCs) is commonly used to refer to this transformation of production, describing the “full range of activities undertaken to bring a product or service from its conception to its end use and how these activities are distributed over geographic space and across international borders.”<sup>33</sup> While large multinational companies are considered to be the main “drivers” of GVCs, other businesses – including small and medium-sized businesses (SMEs) – participate in globalized production activities by providing components or services at different stages of these production processes.<sup>34</sup>

During the study, the Committee was told that GVCs have changed the way in which businesses trade. Ari Van Assche, Department Chair and Associate Professor, Department of International Business, HEC Montréal, said that because of the reductions in transportation and communication costs, companies have long abandoned the practice of producing goods and services in a single country, and that this evolution is challenging what he calls the “national production paradigm” whereby policymakers would traditionally try to expand market access while restricting imports in order to promote national production and employment.<sup>35</sup> According to Mr. Van Assche, the “national production paradigm” is now obsolete, considering the significance of GVCs for Canadian businesses: “[...] "exported by Canada" does not mean made in Canada. Firms located in Canada rely heavily on imported inputs to produce their exports. For

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<sup>30</sup> AEFA, John Weekes, 42:1, Issue no. 2, [24 February 2016](#).

<sup>31</sup> AEFA, Claire Citeau, 42:1, Issue no. 4, [13 April 2016](#); AEFA, Brian Kingston, 42:1, Issue no. 8, [19 May 2016](#).

<sup>32</sup> Deborah K. Elms and Patrick Low, eds, [Global value chains in a changing world](#), WTO, 2013; AEFA, Gerard Peets, 42:1, Issue no. 10, [9 June 2016](#).

<sup>33</sup> Aaron Sydor, “[Global Value Chains: Impacts and Implications: Editor’s Overview](#),” in Global Affairs Canada, [Trade Policy Research 2011: Global Value Chains - Impacts and Implications](#), 2011.

<sup>34</sup> E15 Expert Group on Global Value Chains, [Trade Governance Frameworks in a World of Global Value Chains](#), Policy Options Paper, 2016.

<sup>35</sup> AEFA, Ari Van Assche, 42:1, Issue no. 11, [20 October 2016](#).



example, in 2011, [...] only three quarters of Canada's gross export value was made in Canada, whereas the other quarter was actually the value of imported inputs.”<sup>36</sup>

In the same vein, Joy Nott, President, Canadian Association of Importers and Exporters, discussed the implications resulting from the changes brought by the establishment of GVCs for Canadian businesses and the country’s trade policy:

[...] companies view their supply chains as a continuous flow of materials, components and finished goods back and forth through a supply chain until the finished goods reach their customers. It's the continuous flow of goods and materials that companies base strategic decisions on and monitor, not discreet import and export transactions. Traditional government policy [...] does not match that business reality. Imports and exports are generally viewed as two discreet operations, where imports are generally seen as bad for the economy and exports are seen as good for the economy. That simplistic thinking actually hurts Canadian traders, and many exporters cannot compete in today's global economy without first importing materials.<sup>37</sup>

Witnesses insisted on the significance of imported components to ensure the competitiveness of Canadian exporters and subsequently for Canada’s economic prosperity. As an example, Emily J. Blanchard, Associate Professor of Business Administration at the Tuck School of Business, Dartmouth College, pointed out that research shows that “successful firms, particularly successful exporters, do better when they can access foreign [suppliers] from around the world. They need strong local suppliers, but they may also need suppliers located abroad. Strong economic activity at home increasingly requires access to foreign producers.”<sup>38</sup> Similarly, Ms. Hillman underlined that “it is, in fact, those imports — high-quality, affordable, competitive imports — that Canadians integrate into the products that they are manufacturing and making or into the services that they're providing, which creates value for the Canadian economy.”<sup>39</sup>

Considering that “imports matter as much as exports”<sup>40</sup> to Canadian exporters participating in GVCs, witnesses underscored that Canada must focus on eliminating barriers – including tariff and non-tariff barriers – on the import side in order to facilitate the integration of Canadian value-added goods and services into globalized production activities.<sup>41</sup> More specifically, the Committee was told that Canada’s participation in FTAs would facilitate the participation of

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<sup>36</sup> AEFA, Ari Van Assche, 42:1, Issue no. 11, [20 Octobre 2016](#).

<sup>37</sup> AEFA, Joy Nott, 42:1, Issue no. 8, [19 May 2016](#).

<sup>38</sup> AEFA, Emily J. Blanchard, 42:1, Issue no. 11, [19 October 2016](#).

<sup>39</sup> AEFA, Kirsten Hillman, 42:1, Issue no. 2, [25 February 2016](#).

<sup>40</sup> AEFA, Robert Wolfe, 42:1, Issue no. 5, [21 April 2016](#).

<sup>41</sup> AEFA, Robert Wolfe, 42:1, Issue no. 5, [21 April 2016](#); AEFA, Brian Kingston, 42:1, Issue no. 8, [19 May 2016](#); AEFA, Ari Van Assche, 42:1, Issue no. 11, [20 Octobre 2016](#); AEFA, Joy Nott, 42:1, Issue no. 8, [19 May 2016](#); AEFA, Emily J. Blanchard, 42:1, Issue no. 11, [19 October 2016](#).



Canadian business in GVCs.<sup>42</sup> This point of view is consistent with a study that associated FTAs with higher levels of trade in intermediary goods – which are components entering in the production of finished goods – between signatory countries than is the case between countries that are not free trade partners.<sup>43</sup>

On the other hand, some testimony suggested that in a global economy in which imported components can make up a significant share of the value of a country's exports, the rules of origin stipulated in bilateral or regional FTAs – which are rules specific to each FTA that determine whether a good qualifies for preferential access under an FTA – could pose a challenge. Matthew Kronby, Lawyer and Partner, Bennett Jones Toronto, Bernard Colas, Attorney and Partner, Colas Moreira Kazandjian Zikovsky LLP, and Dan Ciuriak, Ciuriak Consulting Inc., stressed that the cost of complying with complex and inconsistent rules of origin could represent a barrier to businesses participation to GVCs, particularly for SMEs.<sup>44</sup>

#### **D. Global Value Chains and the “Trade-Investment-Services-Intellectual Property Nexus”**

The rise of GVCs has resulted in more than simply an increase in the international trade in components entering the production of finished goods. A study published by the WTO explains that at the core of GVCs is an interconnectedness of: trade in goods, especially parts and components; international investment in production facilities, training, technology and long-term business relationships; services to coordinate the dispersed production, especially in such areas as telecommunications, transportation logistics, trade-related finance and customs clearance; and the cross-border flows of know-how and IP. The study calls this interconnectedness the “trade-investment-services-IP nexus,” and notes that the trade-related areas and issues relevant to the GVCs are only partly covered by the WTO's multilateral agreements.<sup>45</sup>

During the study, the Committee's witnesses asserted that the importance of GVCs has implications for Canada's trade policy beyond the movement of goods. For instance, some witnesses noted that the establishment of production processes dispersed among different countries means that “trade and investment go hand in hand”<sup>46</sup> in global value chains.<sup>47</sup> In such a context, barriers to the mobility of investment, as well as a lack of protection for investment,

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<sup>42</sup> AEFA, Joy Nott, 42:1, Issue no. 8, [19 May 2016](#); AEFA, Eugene Beaulieu, 42:1, Issue no. 2, [18 February 2016](#); AEFA, Emily J. Blanchard, 42:1, Issue no. 11, [19 October 2016](#); AEFA, Ari Van Assche, 42:1, Issue no. 11, [20 October 2016](#).

<sup>43</sup> Gianluca Orefice and Nadia Rocha, “[Deep Integration and Production Networks: An Empirical Analysis](#),” *The World Economy*, volume 37, issue 1, 2013, p. 106–136.

<sup>44</sup> AEFA, Matthew Kronby, 42:1, Issue no. 3, [24 March 2016](#); AEFA, Bernard Colas, 42:1, Issue no. 3, [24 March 2016](#); AEFA, Dan Ciuriak, 42:1, Issue no. 2, [18 February 2016](#).

<sup>45</sup> Richard Baldwin, “[Global supply chains: why they emerged, why they matter, and where they are going](#),” in Deborah K. Elms and Patrick Low, eds, [Global value chains in a changing world](#), WTO, 2013.

<sup>46</sup> AEFA, Eugene Beaulieu, 42:1, Issue no. 2, [18 February 2016](#).

<sup>47</sup> AEFA, Eugene Beaulieu, 42:1, Issue no. 2, [18 February 2016](#); AEFA, John Weekes, 42:1, Issue no. 2, [24 February 2016](#).



can represent trade impediments; investment liberalization and protection are therefore seen as policies that can “smooth the operation of value chains across borders.”<sup>48</sup> In that context, it is perhaps not surprising that the number of bilateral and regional investment agreements, either in the form of FTA chapters or standalone agreements, has also increased alongside the rise in importance of GVCs.<sup>49</sup>

During the study, witnesses also discussed the rising importance of services trade in globalized production activities, as they represent an increasing share of the value that is added to manufactured products.<sup>50</sup> Using an iPhone as an example, Robert Wolfe, Professor, School of Policy Studies, Queen's University and Research Fellow, Institute for Research on Public Policy, underscored that what looks like a Chinese export, with parts and components originating in Southeast Asia and Europe, includes design and marketing services created in California.<sup>51</sup> In a publication referred to the Committee, Koen de Backer and Sébastien Miroudot provide this description of the pervasiveness of services in globalized production activities:

To move goods, capital or people from one country to another, firms need transportation services, logistics and financial services. Business and communication services are also needed to coordinate activities that are geographically dispersed across countries. Moreover, manufacturing value chains typically start with services, such as design and research and development (R&D), which are now more often outsourced. Distribution services and customer support services occur at the end of the value chain.<sup>52</sup>

The fact that services are embodied in traded goods and the movement of capital and people, and cannot be accounted for as easily as goods that cross the border, implies that current statistics underestimate the importance of services in today's global trade.<sup>53</sup> Services exports are also underestimated because they are often sold through foreign affiliates in order to facilitate their delivery to international clients.<sup>54</sup> Using recent data published in the OECD–WTO database on Trade in Value Added,<sup>55</sup> Mr. Van Assche nevertheless outlined the importance of trade in services for Canada, confirming that services are underestimated: “Once we take into account what is truly made in Canada, it is clear that our country is far more specialized in the export of

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<sup>48</sup> AEFA, Ari Van Assche, 42:1, Issue no. 11, [20 Octobre 2016](#).

<sup>49</sup> As of 2014, it is estimated that, globally, countries have concluded more than 3,200 investment agreements (United Nations Conference on Trade and Development, [“Recent Trends in IIAs and ISDS,”](#) IIA Issues Note, No. 1, February 2015).

<sup>50</sup> Rainer Lanz and Andreas Maurer, [“Services and Global Value Chains – Some Evidence on Servicification of Manufacturing and Services Networks,”](#) WTO Working Paper, March 2015.

<sup>51</sup> AEFA, Robert Wolfe, 42:1, Issue no. 5, [21 April 2016](#).

<sup>52</sup> Koen De Backer and Sébastien Miroudot, [“New International Evidence on Canada's Participation in Global Value Chains,”](#) in Stephen Tapp, Ari Van Assche and Robert Wolfe (eds), [Redesigning Canadian Trade Policies for New Global Realities](#), Institute for Research on Public Policy, 2016.

<sup>53</sup> AEFA, Emily J. Blanchard, 42:1, Issue no. 11, [19 October 2016](#); AEFA, Jacqueline Palladini, 42:1, Issue no. 3, [9 March 2016](#).

<sup>54</sup> AEFA, Jacqueline Palladini, 42:1, Issue no. 3, [9 March 2016](#).

<sup>55</sup> Among other things, the OECD–WTO Trade in Value-Added (“TIVA”) initiative provides insight on domestic and foreign value added in the production of goods and services exported by a country. See OECD, [“Measuring Trade in Value Added: An OECD-WTO joint initiative.”](#)



services than previously thought. In 2011, services accounted for 45 per cent of Canada's export value when measured in value added terms, which is three times higher than when measured in gross terms.”<sup>56</sup>

During the study, witnesses underscored that differences in trading partners' standards and regulations can represent significant barriers to the functioning of GVCs; as they vary from country to country, they can make the flow of components, services, investment and IP more complex and expensive. To address that issue, Ross Hornby, Vice President, Government Affairs and Policy, GE Canada, said that Canada should seek to enter into the type of FTAs that deals with regulatory cooperation and harmonization between the different governments to avoid having to produce goods with specifications different for each country.<sup>57</sup> In the same vein, Mr. Van Assche recommended that policymakers push for FTAs that deal with regulatory cooperation, mutual recognition of standards and investment liberalization, in order to “smooth the operation of value chains across borders.”<sup>58</sup> He also referred to CETA as an example of an agreement that would impact positively the ability of firms to integrate into GVCs:

If you look in CETA, there is a lot of discussion on service trade liberalization, investment liberalization and protection and the acceptance of standards from other countries. These are all things that are very much in line with what is really in the minds of companies that are trying to do business in multiple countries and are really helping [Canadian] companies to be able to find better partners with whom they can start adding value.<sup>59</sup>

Ms. Blanchard remarked that the implications of GVCs, such as those described in this section, give countries new reasons to liberalize trade and include – in FTAs – provisions on a range of trade-related areas, including investment, regulations and border policies. According to her, the recent proliferation of FTAs reflects a “latent demand” for FTAs that provide a “deeper” level of trade liberalization.<sup>60</sup> In fact, a circular relationship might be at play, as evidenced in a WTO publication that suggests that “greater trade in parts and components is associated with the greater depth of newly signed agreements among PTA members,” and that “the greater the depth of an agreement, the bigger the increase in trade among PTA members.”<sup>61</sup>

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<sup>56</sup> AEFA, Ari Van Assche, 42:1, Issue no. 11, [20 Octobre 2016](#).

<sup>57</sup> AEFA, Robert Wolfe, 42:1, Issue no. 5, [21 April 2016](#); AEFA, Ross Hornby, 42:1, [3 November 2016](#).

<sup>58</sup> AEFA, Ari Van Assche, 42:1, Issue no. 11, [20 Octobre 2016](#).

<sup>59</sup> AEFA, Ari Van Assche, 42:1, Issue no. 11, [20 Octobre 2016](#).

<sup>60</sup> AEFA, Emily J. Blanchard, 42:1, Issue no. 11, [19 October 2016](#).

<sup>61</sup> WTO, “[Anatomy of preferential trade agreements](#),” [World Trade Report 2011 – The WTO and preferential trade agreements: From co-existence to coherence](#), 2011, p. 145.



## E. Trade as a Catalyst for Productivity and Innovation

For Canada, the benefits of FTAs go beyond opening or expanding market access, ensuring a level playing field globally and providing access to the GVCs. Witnesses indicated that FTAs have also been associated with positive economic outcomes, including enhanced productivity and innovation.

The Committee's witnesses highlighted that the relationship between improved market access and increased productivity is due to a number of mechanisms. For instance, studies link FTAs to increased specialization of production processes and economies of scale, as well as to reallocations of the factors of production from the least to the most productive firms within sectors; in turn, these changes are associated with increased productivity at the national level.<sup>62</sup> According to Beiling Yan, Senior Research Economist, Economic Analysis Division, Statistics Canada, "[several] studies provide evidence that a [FTA] is linked to a significant reduction in the diversity of products being produced by Canadian manufacturing plants, and the substantial increase in the production runs for the smaller set of products."<sup>63</sup> The witness also said that international competition forces firms to increase efficiency in the face of more competition.<sup>64</sup> For Daniel Treffer, Professor of Business Economics, Rotman School of Management, University of Toronto, NAFTA and the predecessor agreement between Canada and the United States resulted in sizeable productivity gains in Canada, with manufacturing productivity rising by almost 14% between 1988 and 1996.<sup>65</sup>

Import activities – which may or may not be performed within the context of FTAs – also contribute to enhancing the productivity through access to foreign inputs and technologies that may be unavailable or more expensive when obtained domestically.<sup>66</sup> According to Beverly Lapham, Professor of Economics, Department of Economics, Queen's University, "firms are [...] impacted by trade liberalization through their participation in [GVCs] and as importers of intermediate inputs. If trade liberalization measures enable these firms to reorganize their production structures more efficiently through these channels, then trade can further enhance firm-level productivity."<sup>67</sup> Additionally, Ms. Yan remarked that research that she performed with John Baldwin, Special Advisor, Economic Analysis Division, Statistics Canada, has shown that,

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<sup>62</sup> AEFA, John Baldwin, 42:1, Issue no. 9, [2 June 2016](#); AEFA, Beverly Lapham, 42:1, Issue no. 9, [2 June 2016](#); AEFA, Beiling Yan, 42:1, Issue no. 9, [2 June 2016](#).

<sup>63</sup> AEFA, Beiling Yan, 42:1, Issue no. 9, [2 June 2016](#).

<sup>64</sup> AEFA, Beiling Yan, 42:1, Issue no. 9, [2 June 2016](#).

<sup>65</sup> AEFA, Daniel Treffer, 42:1, Issue no. 9, [2 June 2016](#). See also Daniel Treffer, "The Long and Short of the Canada-U.S. Free Trade Agreement," *American Economic Review*, Vol. 94, No. 4, September 2004.

<sup>66</sup> AEFA, Beverly Lapham, 42:1, Issue no. 9, [2 June 2016](#); AEFA, Beiling Yan, 42:1, Issue no. 9, [2 June 2016](#).

<sup>67</sup> AEFA, Beverly Lapham, 42:1, Issue no. 9, [2 June 2016](#).





between 2000 and 2007, two-thirds of Canada's productivity growth could be attributed to intermediate inputs produced abroad.<sup>68</sup>

In addition, witnesses discussed the relationships between FTAs and innovation. Mr. Trefler told the Committee that international trade encourages firms to innovate and to adopt new technologies because access to a larger market allows them to recoup the substantial upfront costs associated with innovation. According to Mr. Trefler, trade liberalization between Canada and the United States led to increased innovation and technology adoption rates.<sup>69</sup> Ms. Yan emphasized that the relationship between trade and innovation has various facets: “[...] trade facilitates the transfer of knowledge. Evidence suggests that new exporters are 37 per cent more likely to use foreign technologies than non-exporters. Exporting is connected to an increase in the incidence of R&D collaboration agreements with foreign buyers, and firms that begin to export are also more likely to begin conducting R&D.”<sup>70</sup>

That being said, the Committee notes that the causal relationship between increased trade and productivity – as to which one determines the other – is still subject to debate.<sup>71</sup> In addition, monetary and fiscal policy, demographic change as well as fluctuations to U.S. or global demand, figure among the multiple factors that can have an effect on Canada’s economic growth. Consequently, isolating the economic effect of a given trade agreement – or even trade liberalization in general – remains challenging.<sup>72</sup>

## **F. The Committee’s Observations**

During this study, many witnesses reinforced the idea that Canadian businesses need expanded, diversified and more predictable market access if they are to maximize their contribution to Canada’s economy, and that FTAs are one tool that can improve business access to key international markets. Some witnesses also warned the Committee that the current global environment is characterized by “competitive trade liberalization.” In that context, FTAs are both a strategic and a critical tool in ensuring that Canadian businesses are competing in key international markets on a level playing field. In this regard, given the uncertainty of the TPP in its current form, Canada needs to reassess its opportunities to engage in trade negotiations with

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<sup>68</sup> AEFA, Beiling Yan, 42:1, Issue no. 9, [2 June 2016](#); John R. Baldwin and Beiling Yan, “[Trade and Productivity: Insights from Canadian Firm-Level Data](#),” in Stephen Tapp, Ari Van Assche and Robert Wolfe (eds), [Redesigning Canadian Trade Policies for New Global Realities](#), Institute for Research on Public Policy, 2016.

<sup>69</sup> AEFA, Daniel Trefler, 42:1, Issue no. 9, [2 June 2016](#).

<sup>70</sup> AEFA, Beiling Yan, 42:1, Issue no. 9, [2 June 2016](#).

<sup>71</sup> Sébastien Breau and W. Mark Brown, “[Global Links: Exporting, Foreign Direct Investment, and Wages: Evidence from the Canadian Manufacturing Sector](#),” Statistics Canada, August 2011.

<sup>72</sup> See for instance: World Bank, “Chapter 3 Regional Trade Agreements: Effects on Trade,” [Global Economic Prospects 2005: Trade, Regionalism, and Development](#), 2004.



priority trading partners in the Asia-Pacific region, which includes several of the fastest growing markets in today's global economy.

Considering the importance of GVCs in today's global economy, the Committee heard that Canada's future economic prosperity may depend on the ability of its businesses to add value to goods and services through globalized production activities. The Committee's witnesses maintained that FTAs and investment agreements have played an instrumental role in beginning to address some of the gaps in the multilateral trading system in relation to investment, services and IP, issues that are increasingly relevant to trade facilitation performed in the context of GVCs. For these witnesses, Canada therefore needs to implement modern FTAs with key trading partners to address these issues.<sup>73</sup>

In addition, the Committee underlines the witnesses' assertion that, based on evidence, FTAs make a positive contribution to Canada's economy because of their beneficial impacts on productivity and innovation. Canada being a relatively small economy, its businesses need competitive access to foreign inputs and technologies that are unavailable or more expensive when obtained domestically to succeed.

The Committee underscores the strategic role of FTAs as a key tool at the disposal of the federal government to help Canadian businesses benefit from international trade opportunities. However, the Committee stresses that there is an opportunity for the federal government to encourage greater interest on the part of Canadians about the importance of international trade for their country's prosperity. Also, although the federal government commonly say that "Canada is a trading nation," it often assumes that the extent to which Canadians benefit from international trade is universally understood. In the context of rising protectionist sentiments in various parts of the globe, the Committee considers that this assumption represents a weakness of Canada's trade policy, and that it is therefore important for the federal government to engage with the public in order to provide evidence-based information on the ways in which trade benefit Canadians. From that perspective, the Committee recommends:

**That the Government of Canada engage more actively and more directly in activities aimed at increasing consultations with – and direct engagement of – Canadians on the importance of international trade and the relevance of trade agreements to Canada's economic prosperity.**

However, the Committee believes that the federal government cannot rely on free trade alone to help Canadian businesses make the best of international trade opportunities, as the economic and policy environment at home provides the foundations for their success. This issue is discussed in Chapter 4.

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<sup>73</sup> AEFA, Debra P. Steger, 42:1, Issue no. 2, [24 February 2016](#); AEFA, John Weekes, 42:1, Issue no. 2, [24 February 2016](#).



## CHAPTER 3: CHALLENGES ASSOCIATED WITH THE NEGOTIATION AND IMPLEMENTATION OF FREE TRADE AGREEMENTS

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During the study, the Committee's witnesses discussed the challenges and concerns relating to the implementation of FTAs. Some witnesses described Canada's trade performance with its free trade partners as being weak, and discussed the possible negative consequences of trade liberalization on workers and sectors. Other witnesses stressed the lack of transparency of trade negotiations and identified as problematic the ways in which modern FTAs address certain trade-related issues, such as investor-state dispute settlement, IP and labour cooperation.

### A. Concerns Regarding Canada's Merchandise Trade Performance

Witnesses highlighted Canada's merchandise trade deficits. Jim Stanford, Harold Innis Industry Professor of Economics, McMaster University and Economic Advisor, Unifor, referred to data indicating that, since 2001, the value of merchandise imports from FTA partners grew at a faster rate than the value of Canadian exports to those countries during the same period, whereas the value of Canada's merchandise exports to the rest of the world increased at a greater rate than its imports from the rest of the world.<sup>74</sup> He also stated that the composition of Canada's merchandise trade has changed over time, with exports of raw or minimally processed resources rising and those of manufactured goods falling, the former being less labour-intensive and involving less value-added activities than the latter. In light of these observations, Mr. Stanford argued that:

Canada's exports have performed very badly. We have seen the emergence of substantial chronic trade deficits, in part because of slow export growth combined with very rapid import growth. We have also seen a damaging qualitative shift in the composition of our trade, whereby our once important foothold in a few high-value, technology-intensive sectors has been eroded since the turn of the century in favour of a growing and, in my view, dangerous reliance on the export of raw or barely processed resources.<sup>75</sup>

Mr. Wilson also expressed concerns in relation to Canada's weak trade performance with free trade partners: "To be blunt, Canada has a poor history of success in [FTAs]. Aside from the

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<sup>74</sup> AEFA, Jim Stanford, 42:1, Issue no. 4, [13 April 2016](#). See also: Jim Stanford, "Is More Trade Liberalization the Remedy for Canada's Trade Woes?," in Stephen Tapp, Ari Van Assche and Robert Wolfe (eds), *Redesigning Canadian Trade Policies for New Global Realities*, Institute for Research on Public Policy, 2016.

<sup>75</sup> AEFA, Jim Stanford, 42:1, Issue no. 4, [13 April 2016](#).



NAFTA and specifically the Canada-U.S. trade relationship, very few, if any, [FTAs] have led to an increase in exports in any goods, let alone from Canada's advanced manufacturing sector.”<sup>76</sup>

In light of his concerns regarding Canada’s merchandise trade deficits, Mr. Stanford stated that pursuing FTAs more aggressively would not redress the situation. Rather, he argued that many other factors help to determine Canada’s trade performance, and that focusing on trade agreement can distract Canada from acting on other fronts, such as strengthening its industries.<sup>77</sup>

On the other hand, while Mr. Wilson expressed his support for the negotiation of FTAs, he nonetheless outlined a number of conditions that should be met in order to pursue trade agreements, including: by ensuring that such agreements provide equal opportunity for Canadian manufacturers to export to foreign markets as they do for competitors to import into Canada, that they improve market access for value-added exports from Canada, and that FTAs do not undermine the existing integrated supply chains developed through previous agreements, especially within the NAFTA. Mr. Wilson also testified that the implementation of FTAs must be supported by measures that ensure a sound domestic economic environment and promote international trade in order that Canadian businesses can benefit from free trade.<sup>78</sup>

It should be noted that the relevance of FTAs for Canada’s trade policy was not entirely dismissed by witnesses who focused on their potentially negative economic impacts. Mr. Stanford, for instance, stated that FTAs are “never either all good or all bad.” Instead, he urged assessment of agreements like CETA and the TPP be performed using “empirical, pragmatic, industry-by-industry analysis, rather than just running a computer model predicated on the assumption that free trade is always mutually beneficial.”<sup>79</sup> However, in the context of a comment made about the assessment of the economic impact of the TPP, Jacqueline Palladini, Senior Economist, Conference Board’s Global Commerce Centre, put forward the idea that an impact assessment should have also assessed the potential impacts for Canada of not becoming a party to the agreement.<sup>80</sup>

In addition, although trade balance data facilitate the identification of trends in Canada’s bilateral and global trade in goods and services, a number of the Committee’s witnesses suggested that the data do not tell the whole story about Canada’s trade performance. Among other things, witnesses emphasized the need to consider value-added content of both goods and services in the context of GVCs to assess Canada’s trade performance, considering the important but underestimated value of Canadian service exports (a point that will be further explored in

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<sup>76</sup> AEFA, Mathew Wilson, 42:1, Issue no. 6, [5 May 2016](#).

<sup>77</sup> AEFA, Jim Stanford, 42:1, Issue no. 4, [13 April 2016](#).

<sup>78</sup> AEFA, Mathew Wilson, 42:1, Issue no. 6, [5 May 2016](#).

<sup>79</sup> AEFA, Jim Stanford, 42:1, Issue no. 4, [13 April 2016](#).

<sup>80</sup> AEFA, Jacqueline Palladini, 42:1, Issue no. 3, [9 March 2016](#).



Chapter 4). Other witnesses also pointed out that the country's trade balance is also influenced by other external factors, such as the relative value of the currency and commodity prices.<sup>81</sup>

## **B. Canadian Workers and Sectors Affected by Trade Liberalization**

According to witnesses, the economic adjustments resulting from trade liberalization can cause disruptions, including domestic job losses and increased competition in some Canadian sectors. Hassan Yussuff, President, Canadian Labour Congress, indicated that the manufacturing sector has lost hundreds of thousands of jobs since the 1980s, which to him is an indication that free trade has not benefited Canada's manufacturing workers.<sup>82</sup> On the other hand, Eugene Beaulieu, Professor, Department of Economics and Director, International Economic Policy, University of Calgary, remarked that although trade agreements may have negatively affected Canada's manufacturing sector, they are not the only factors having an impact on a sector already in decline in many industrialized countries.<sup>83</sup>

Mr. Yussuff also expressed concerns about the potential negative effects on Canadian jobs that may result from certain provisions associated with modern trade agreements. For instance, he questioned why provisions on labour mobility that allow businesses to bring foreign workers into Canada would have been allowed in an FTA such as the TPP, particularly when – according to him – the Canadian economy is already struggling with job creation. In addition, he did not support provisions that he felt would prevent governments from including conditions aimed at generating local economic benefits, including employment opportunities, with their public procurement contracts, provisions of the kind that were included in CETA's chapter on government procurement. For Mr. Yussuff, the authority of national governments to attach certain conditions to public procurement contracts must be maintained for a number of reasons, including to allow for local job creation and training of local workers.<sup>84</sup>

During the study, witnesses acknowledged that the negotiation process for an FTA involves balancing offensive and defensive trade interests, and that some sectors can therefore be negatively affected by the economic adjustments produced by an FTA. For instance, Ms. Lapham mentioned that the process of reallocation of factors of production from the least to the most productive firms within industries that happens during the implementation of an FTA means that “there will be winning and losing firms within industries.” As a consequence, the economic and other costs of adjusting to trade liberalization can be significant and unevenly

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<sup>81</sup> AEFA, Daniel Schwanen, 42:1, [2 November 2016](#); AEFA, Brian Kingston, 42:1, Issue no. 8, [19 May 2016](#); AEFA, Kirsten Hillman, 42:1, Issue no. 2, [25 February 2016](#); AEFA, Dan Ciuriak, 42:1, Issue no. 2, [18 February 2016](#); AEFA, Pierre Marc Johnson, 42:1, Issue no. 2, [18 February 2016](#); AEFA, Eugene Beaulieu, 42:1, Issue no. 2, [18 February 2016](#).

<sup>82</sup> AEFA, Hassan Yussuff, 42:1, Issue no. 6, [4 May 2016](#).

<sup>83</sup> AEFA, Eugene Beaulieu, 42:1, Issue no. 2, [18 February 2016](#). See also: John R. Baldwin and Ryan Macdonald, “[The Canadian Manufacturing Sector: Adapting to Challenges](#),” Statistics Canada, Economic Analysis Research Paper Series, 2009.

<sup>84</sup> AEFA, Hassan Yussuff, 42:1, Issue no. 6, [4 May 2016](#).



distributed across workers, and can result in trade-induced displacement of workers. According to Ms. Lapham, it is therefore important to consider programs that assist displaced workers alongside trade policy. However, she stressed that the effectiveness of certain Canadian initiatives, such as education and skills development programs and Employment Insurance benefits, is mixed.<sup>85</sup>

In addition to assistance for workers who are displaced because of an FTA, Mr. Kronby recognized that “certain sectors may need transitional assistance in order to help them adapt to more competitive environments.” He provided the example of support for Canada’s wine sector to enhance its competitiveness that was given during the implementation of the Canada-U.S. FTA and NAFTA, and suggested that similar initiatives for sectors that could be negatively affected by new FTAs should be considered.<sup>86</sup> Monique Moreau, Director, National Affairs, Canadian Federation of Independent Business (CFIB), indicated that while many members of CFIB appear to be positioned to benefit from trade agreements such as CETA, a few have raised concerns, which led her organization to communicate to the federal government the “importance of finding ways to mitigate any economic harm to sectors that may be adversely affected as a result of [these] trade deal.”<sup>87</sup>

### **C. Transparency and Consultations During Trade Negotiations**

According to some of the Committee’s witnesses, Canada’s trade negotiations lack transparency. Michael Geist, Canada Research Chair in Internet and E-commerce Law and Full Professor, Faculty of Law, Common Law Section, University of Ottawa, noted that multilateral negotiations, such as those of the WTO or the World Intellectual Property Organization (WIPO), demonstrate that trade negotiations could be more transparent.<sup>88</sup> Witnesses also indicated that the impact assessments completed before trade negotiations begin should not be limited to economic studies and consultations with businesses. Instead, they should also include consultations with the public in order to hear about a broader set of economic interests, as well as about potential environmental and social concerns.<sup>89</sup>

Debra Steger, Faculty of Law, University of Ottawa, as well as Mr. Colas, noted that other countries and regions – such as the United States and the EU – have formal consultative committees that they use both before and during the negotiating process, and suggested that

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<sup>85</sup> AEFA, Beverly Lapham, 42:1, Issue no. 9, [2 June 2016](#).

<sup>86</sup> AEFA, Matthew Kronby, 42:1, Issue no. 3, [24 March 2016](#).

<sup>87</sup> AEFA, Monique Moreau, 42:1, [2 November 2016](#).

<sup>88</sup> AEFA, Michael Geist, 42:1, Issue no. 3, [9 March 2016](#).

<sup>89</sup> AEFA, Michael Geist, 42:1, Issue no. 3, [9 March 2016](#); AEFA, Matthew Kronby, 42:1, Issue no. 3, [24 March 2016](#); AEFA, John Weekes, 42:1, Issue no. 2, [24 February 2016](#); AEFA, Debra P. Steger, 42:1, Issue no. 2, [24 February 2016](#); AEFA, Bernard Colas, 42:1, Issue no. 3, [24 March 2016](#).



Canada should consider adopting such mechanisms.<sup>90</sup> For Ms. Steger, such a consultation process would also contribute “to demystify trade and investment agreements and to provide real input into the negotiating process.”<sup>91</sup> Mr. Weekes explained that more effective consultation processes would need to be structured and implemented in a manner that would encourage businesses and other interested parties to provide the best possible advice, and that it should be known with whom the government is consulting. According to him, such an approach should foster public confidence.<sup>92</sup>

Similarly, Mr. Kronby, who is a former trade negotiator for Canada, told the Committee that the lack of consultations between federal negotiators and interested stakeholders can be a disadvantage during negotiations:

[...] in negotiations in which I participated, including the CETA, getting the detailed information we needed from stakeholders about Canadian offensive and defensive interests was a continual source of frustration. Our chief negotiators in TPP and CETA [...] did superb jobs, as did their teams, but their jobs would have been considerably easier with better consultative processes in place like the United States and the European Union have and like Canada used to have.<sup>93</sup>

Witnesses also raised the issue of consultation with parliamentarians during trade negotiations. For instance, Stuart Trew, Senior Editor of the Canadian Centre for Policy Alternative’s *The Monitor*, maintained that issues covered by comprehensive FTAs increasingly address domestic issues that are subject to parliamentary scrutiny, such as regulations, government procurement and IP rights, and suggested that involving Parliament earlier in the process would therefore be relevant.<sup>94</sup>

As well, the Committee heard from Marika Armanovica, Administrator, Secretariat of the Committee on International Trade of the European Parliament (EP), and Roberto Bendini, Principal Administrator, Policy Department of the EP, who explained that although it cannot issue or modify a negotiating mandate, the EP is increasingly playing a role during trade negotiations. The European Commission, which is the entity responsible for negotiating the EU’s trade agreements, is now required to exchange information – including confidential documents – with the EP in order that it can be informed of progress made at all stages of the trade

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<sup>90</sup> AEFA, Debra P. Steger, 42:1, Issue no. 2, [24 February 2016](#); AEFA, Bernard Colas, 42:1, Issue no. 3, [24 March 2016](#).

<sup>91</sup> AEFA, Debra P. Steger, 42:1, Issue no. 2, [24 February 2016](#).

<sup>92</sup> AEFA, John Weekes, 42:1, Issue no. 2, [24 February 2016](#).

<sup>93</sup> AEFA, Matthew Kronby, 42:1, Issue no. 3, [24 March 2016](#).

<sup>94</sup> AEFA, Stuart Trew, 42:1, Issue no. 8, [19 May 2016](#).



negotiations.<sup>95</sup> According to these witnesses, the EP's enhanced role has contributed to improved transparency in relation to EU trade policy.<sup>96</sup>

Finally, Mr. Wolfe suggested that transparency might have a positive impact on the ratification process for trade agreements, as “the results of an open negotiation might be easier to ratify since all stakeholders, including parliamentarians, would better understand the process and the results.”<sup>97</sup>

#### **D. Investor-State Dispute Settlement**

According to Global Affairs Canada, the main purpose of the investment protection provisions found in investment treaties or FTA chapters on investment protection is to set out reciprocal binding obligations in order to provide a more transparent and predictable climate for investors of the signatory countries.<sup>98</sup> The investor-state dispute settlement (ISDS) mechanism included in investment treaties or FTAs gives investors the right to access an international arbitration mechanism if they believe that a signatory foreign government has breached one of its obligations relating to the protection of investments. The arbitration tribunals established pursuant to ISDS provisions can order a party to compensate an investor who has incurred loss or damage because of the breach of those obligations. The availability of an international arbitration mechanism that is separate from domestic courts has been designed to reduce foreign investors' concerns that these courts may lack effectiveness, transparency or independence in some countries.<sup>99</sup>

Agreements that contain an ISDS mechanism have proliferated worldwide; the number of agreements including one was estimated to exceed 3,200 in 2014.<sup>100</sup> In the absence of multilateral rules on investment protection, factors such as the importance of the relationship between trade and investment in GVCs and the “Trade-Investment-Services-IP Nexus” discussed in Chapter 2 might have increased the demand for investment treaties.<sup>101</sup>

During the study, Ms. Hillman explained to the Committee that the federal government seeks to negotiate bilateral investment treaties and include investment chapters in FTAs in order to

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<sup>95</sup> AEFA, Marika Armanovica, 42:1, Issue no. 10, [9 June 2016](#); AEFA, Roberto Bendini, 42:1, Issue no. 10, [9 June 2016](#).

<sup>96</sup> Marika Armanovica and Roberto Bendini, “[The role of the EP in shaping the EU's trade policy after the entry into force of the Treaty of Lisbon](#),” *In-Depth Analysis*, European Parliament, 2014.

<sup>97</sup> AEFA, Robert Wolfe, 42:1, Issue no. 5, [21 April 2016](#).

<sup>98</sup> Global Affairs Canada, “[Canada's FIPA Program: Its Purpose, Objective and Content](#).”

<sup>99</sup> Alexandre Gauthier, [Investor-State Dispute Settlement Mechanisms: What Is Their History and Where Are They Going?](#), Background Paper, Library of Parliament, 20 October 2015.

<sup>100</sup> UNCTAD, “[Recent Trends in IIAs and ISDS](#),” *IIA Issues Note*, No. 1, February 2015.

<sup>101</sup> See for instance: Gary Hufbauer and Tyler Moran, “[Investment and Trade Regimes Conjoined: Economic Facts and Regulatory Frameworks](#),” Think Piece, E15 Task Force on Investment Policy, July 2015; Richard Baldwin, “[Multilateralising 21<sup>st</sup> Century Regionalism](#),” paper published by the OECD for the Global Forum on Trade, February 2014.





“provide a rules-based legal framework that helps protect the investments of Canadian investors operating abroad.”<sup>102</sup> Other witnesses also underlined the importance of investment protection for Canadian investors. For example, Mr. Wilson testified that “it is imperative that the trade agreements include processes for expeditious settlement of investor disputes. Especially in markets where legal systems are under developed, it protects Canadian investors when they're making their investment decisions.”<sup>103</sup>

However, the Committee also heard from a number of witnesses concerned by the inclusion of ISDS mechanisms in FTAs. For Gus Van Harten, Associate Professor, Osgoode Hall Law School, York University, ISDS mechanisms alter the sovereignty of national governments, legislatures and courts by allowing legislative decisions to be reviewed by a non-legislative and non-judicial body – the arbitration tribunal – established whenever a foreign investor chooses to bring a claim under a bilateral investment treaties or FTA that contains an ISDS mechanism. He noted that while ISDS mechanisms have traditionally been included in bilateral investment treaties and FTAs with countries where confidence in the court system was lacking, the inclusion of such mechanisms in agreements between developed countries assumes “that courts in all countries are systemically not a reasonable place to resolve disputes involving foreign investors, without the foreign investor having to demonstrate any rationale whatsoever for evading the country's courts.”<sup>104</sup> Echoing Mr. Van Harten’s remarks, Mr. Trew emphasized that “Canadian courts are fully capable of handling any domestic dispute related to property rights, and corporations have other means for insuring their investments abroad without resorting to [ISDS].”<sup>105</sup> Both witnesses maintained that, in their view, ISDS mechanisms are biased towards investors because governments cannot use the same mechanisms to file complaints against foreign investors.<sup>106</sup>

Some observers also believe that the possibility of an investment dispute being initiated and a financial burden resulting from it could create a “regulatory chill,” or reluctance by governments to make legislative or regulatory changes in certain fields because of a fear that doing so could lead to monetary damages.<sup>107</sup> In supporting this idea, Mr. Trew referred to a recent loss in the case of *Mobil Investments Inc. and Murphy Oil Corporation v. Government of Canada*, as a result of which Canada will have to pay compensation to an investor and – according to him – perhaps ongoing damages if the policy at issue remains in place. In his view, this situation “is effectively the tribunal asking [the government] to change the policy.”<sup>108</sup>

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<sup>102</sup> AEFA, Kirsten Hillman, 42:1, Issue no. 2, [25 February 2016](#).

<sup>103</sup> AEFA, Mathew Wilson, 42:1, Issue no. 6, [5 May 2016](#).

<sup>104</sup> AEFA, Gus Van Harten, 42:1, Issue no. 3, [9 March 2016](#).

<sup>105</sup> AEFA, Stuart Trew, 42:1, Issue no. 8, [19 May 2016](#).

<sup>106</sup> AEFA, Gus Van Harten, 42:1, Issue no. 3, [9 March 2016](#); AEFA, Stuart Trew, 42:1, Issue no. 8, [19 May 2016](#).

<sup>107</sup> AEFA, Gus Van Harten, 42:1, Issue no. 3, [9 March 2016](#);

<sup>108</sup> AEFA, Stuart Trew, 42:1, Issue no. 8, [19 May 2016](#).



Other critics of ISDS mechanisms suggest that they lack transparency, and that the individuals who are selected to serve as arbitration tribunal members may not be fully impartial, particularly because some of them may concurrently act as legal advisors for investors in other ISDS cases. They also claim that ISDS arbitration tribunals sometimes favour investors by interpreting unclear investment provisions too broadly, such as the principle of “fair and equitable treatment” of investors and investments, which is interpreted differently by tribunals.<sup>109</sup> The Committee is also aware of concerns about potential shortfalls in the process for review or annulling arbitral decisions and about the lack of an appeal mechanism that would allow governments to contest decisions.<sup>110</sup>

The Committee heard a contrasting view: that although ISDS mechanisms might be an imperfect system, they are the best option available at this time for ensuring fairness for foreign investors when sovereign states are parties to an investment dispute.<sup>111</sup> The Honourable Yves Fortier, P.C., Lawyer, Cabinet Yves Fortier, who has extensive experience with international arbitration, also told the Committee that the issues stressed by critics of ISDS mechanisms, such as those relating to transparency and the independence of arbitrators, are being resolved progressively through improvements in current international practice.<sup>112</sup> Mr. Beaulieu also pointed out that, despite concerns about these mechanisms, cases are not often initiated, and arbitration tribunals have not been proven to be biased against governments or government regulations.<sup>113</sup>

Some of the witnesses’ comments focused on the modifications to CETA’s ISDS mechanism that were announced on 29 February 2016 in response to criticisms being voiced in the EU. According to the joint statement made by Canada and the EU, the modifications “strengthen the provisions on governments’ right to regulate; move to a permanent, transparent and institutionalized dispute settlement tribunal; revise the process for the selection of tribunal members, who will adjudicate investor claims; set out more detailed commitments on ethics for all tribunal members; and agree to an appeal system.”<sup>114</sup>

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<sup>109</sup> AEFA, Gus Van Harten, 42:1, Issue no. 3, [9 March 2016](#); AEFA, Stuart Trew, 42:1, Issue no. 8, [19 May 2016](#); AEFA, Michael Geist, 42:1, Issue no. 3, [9 March 2016](#); AEFA, Debra P. Steger, 42:1, Issue no. 2, [24 February 2016](#); AEFA, Dan Ciuriak, 42:1, Issue no. 2, [18 February 2016](#). For an analysis of these criticisms, see: Alexandre Gauthier, [Investor-State Dispute Settlement Mechanisms: What Is Their History and Where Are They Going?](#), Background Paper, Library of Parliament, 20 October 2015.

<sup>110</sup> For instance, see: Marta Latek and Laura Puccio, [Investor-State Dispute Settlement \(ISDS\) State of play and prospects for reform](#),” European Parliamentary Research Service, Briefing, January 2015; Gaukrodger, D. and K. Gordon, [Investor-State Dispute Settlement: A Scoping Paper for the Investment Policy Community](#),” OECD Working Papers on International Investment, March 2012; UNCTAD, [Reform of Investor-State Dispute Settlement: In Search of a Roadmap](#),” IIA Issues Note, June 2013; Stephan W. Schill, [Reforming Investor-State Dispute Settlement \(ISDS\): Conceptual Framework and Options for the Way Forward](#),” E15 Task Force on Investment Policy, Think Piece, July 2015.

<sup>111</sup> AEFA, The Honourable Yves Fortier, 42:1, Issue no. 6, [4 May 2016](#); AEFA, Richard Ouellet, 42:1, Issue no. 3, [9 March 2016](#).

<sup>112</sup> AEFA, The Honourable Yves Fortier, 42:1, Issue no. 6, [4 May 2016](#).

<sup>113</sup> AEFA, Eugene Beaulieu, 42:1, Issue no. 2, [18 February 2016](#).

<sup>114</sup> Global Affairs Canada, [Joint statement by European Commissioner for Trade and Canada’s Minister of International Trade on Canada-EU trade agreement](#),” Statement, 29 February 2016.



Witnesses, such as Ms. Steger and Richard Ouellet, Professor of International Economic Law, Laval University, welcomed these modifications positively. Mr. Ouellet commented that: “Perhaps the proposal of [the] Europeans under CETA to create a permanent court might solve a number of problems, including this unpredictability that exists in investment and arbitration. Having to deal with a court could stabilize precedents and in some way provide some reassurance regarding the state's role in investment.”<sup>115</sup> Although he recognized the positive aspects of the modifications, such as the creation of a roster of tribunal members selected by states and the new language on the right of governments to regulate, Mr. Van Harten told the Committee that he continues to have concerns, while Mr. Trew underlined that the “attempt in CETA to affirm the government's right to regulate does not go far enough,” and proposed the removal of the ISDS mechanism from CETA.<sup>116</sup>

Mr. Fortier expressed a different opinion. He argued that, despite the flaws in the traditional arbitration process, the implementation of a “completely new system” in an agreement as important as CETA is risky. He commented that it might be difficult to find “distinguished lawyers” who would agree to stop serving as arbitrators in other cases in order to dedicate their practice entirely to the new tribunal. He therefore believed that it “would seem more reasonable to build on and improve [the] established practices than to disregard them altogether in favour of an uncertain model [...] whose merit remains questionable.”<sup>117</sup>

Finally, witnesses highlighted to the Committee that issues in relation to investment protection and the arbitration of related disputes might be better addressed at the multilateral level in the context of the WTO.<sup>118</sup>

## E. Intellectual Property

IP aims to protect the “intangible” assets used in commerce. Intangible assets can take different forms, including inventions, new technologies, novel designs, new logos and brands, unique industrial processes, and original literary and artistic works, such as songs, books, paintings, videos, plays or software.<sup>119</sup> Domestic IP laws protect these intangible assets including through patents, copyright and trademarks. According to WIPO, by striking the “right balance between the interests of innovators and the wider public interest,” IP protection “aims to foster an environment in which creativity and innovation can flourish.”<sup>120</sup> With the rise in innovation and

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<sup>115</sup> AEFA, Richard Ouellet, 42:1, Issue no. 3, [9 March 2016](#).

<sup>116</sup> AEFA, Gus Van Harten, 42:1, Issue no. 3, [9 March 2016](#); AEFA, Stuart Trew, 42:1, Issue no. 8, [19 May 2016](#).

<sup>117</sup> AEFA, The Honourable Yves Fortier, 42:1, Issue no. 6, [4 May 2016](#).

<sup>118</sup> AEFA, Richard Ouellet, 42:1, Issue no. 3, [9 March 2016](#); AEFA, Daniel Treffer, 42:1, Issue no. 9, [2 June 2016](#); AEFA, Debra P. Steger, 42:1, Issue no. 2, [24 February 2016](#); AEFA, Dan Ciuriak, 42:1, Issue no. 2, [18 February 2016](#).

<sup>119</sup> Canadian Intellectual Property Office, [“What is intellectual property?”](#)

<sup>120</sup> World Intellectual Property Organization, [“What is Intellectual Property?”](#)



knowledge-based economic activities and trade, IP protection has become a key international trade issue, as illustrated by the “trade-investment-services-IP nexus” discussed earlier.

Provisions to protect IP are included in a number of FTAs concluded or implemented by Canada. These provisions, which can include commitments on copyright, patents and trademarks, are usually designed to ensure that state parties’ domestic laws and enforcement mechanisms comply with minimum standards in relation to IP protection; however, they do not prevent parties from establishing higher levels of protection. In general, the minimum standards set by Canada’s FTAs are consistent with legal norms established by international agreements relating to IP, such as the WTO’s *Agreement on Trade-Related Aspects of Intellectual Property Rights* (TRIPS) and a number of treaties administered by the WIPO.<sup>121</sup>

Regarding negotiations for IP protection in FTAs, Ms. Hillman informed the Committee that “Canada negotiates rules that are compatible with Canadian law and policy and that allow Canada to retain the flexibility to adopt new [IP] policies in the future based on the evolving needs of the Canadian economy.”<sup>122</sup> According to Mark Schaan, Director General, Marketplace Framework Policy Branch, Strategic Policy Sector, Innovation, Science and Economic Development Canada, aligning Canada’s domestic IP policies with international standards “encourages foreign and multinational companies to invest in Canada, knowing their innovative goods and services will be well-protected[,] and ... puts Canadian companies on a level playing field compared with foreign competitors when enforcing their IP rights abroad.”<sup>123</sup>

The witnesses’ discussions about the inclusion of IP in FTA provisions focused mainly on the TPP and CETA, as they are currently the two main examples of modern FTAs which could influence Canada’s IP regime. Mr. Geist raised concerns about the fact that such FTAs could prompt changes to Canadian legislation concerning IP protection, and that the IP provisions included in trade agreements could potentially upset the current balance in the country’s IP protection regime, for instance with regard to the period of copyright protection before a work can enter the public domain.<sup>124</sup> Mr. Trew, on the other hand, raised concerns about the impact of the extension of the period of protection for brand-name pharmaceuticals by up to two years as proposed in CETA, which would, in his view, delay the entry of generic pharmaceuticals into the marketplace and result in higher costs for public health systems.<sup>125</sup> As for Professor Dan Breznitz, Munk Chair of Innovation Studies, Munk School of Global Affairs, University of

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<sup>121</sup> AEFA, Kirsten Hillman, 42:1, Issue no. 2, [25 February 2016](#); AEFA, Mark Schaan, 42:1, Issue no. 5, [20 April 2016](#); AEFA, Matthew Smith, 42:1, Issue no. 2, [25 February 2016](#).

<sup>122</sup> AEFA, Kirsten Hillman, 42:1, Issue no. 2, [25 February 2016](#).

<sup>123</sup> AEFA, Mark Schaan, 42:1, Issue no. 5, [20 April 2016](#).

<sup>124</sup> AEFA, Michael Geist, 42:1, Issue no. 3, [9 March 2016](#).

<sup>125</sup> AEFA, Stuart Trew, 42:1, Issue no. 8, [19 May 2016](#).



Toronto, he said that he found disturbing the fact that FTAs could effectively “freeze” the evolution of Canadian IP laws as a result of the commitments made in such agreements.<sup>126</sup>

In addition, witnesses told the Committee that, because – relative to countries such as the United States and Japan – Canada underperforms in creating and commercializing IP and innovation and is a net importer of intangible assets, provisions on IP protection such as those that were proposed in the TPP would not be in the country’s best interest. For Jim Balsillie, former Chairman and co-CEO of Research In Motion, the TPP would have been “a very good deal for the current large owners of [IP] because it expands the scope, duration, administration and enforcement of what they claim as ‘owned’ in other countries,” which he believes would have allowed these owners to collect more IP “economic rents” from other TPP signatories, such as Canada.<sup>127</sup> Similarly, Mr. Treffler suggested that U.S. legislators are pushing an IP policy agenda worldwide through FTAs, and that this policy agenda is not in Canada’s best interest.<sup>128</sup>

Other witnesses, however, had a different view. For example, Mr. Schaan, Mr. Weekes and Ms. Steger indicated that, with the exception of a number of issues – such as the extensions of the protection period for pharmaceutical patents and copyright – the IP provisions in CETA are largely consistent with Canada’s current IP regime.<sup>129</sup> Paul Halucha, Associate Assistant Deputy Minister, Strategic Policy Sector, Innovation, Science and Economic Development Canada, highlighted the potential benefits of aligning Canada’s IP regime with those of its trading partners. He explained that such an alignment could give confidence to investors that are considering Canada as an investment destination, and help Canadian businesses facing IP protection challenges abroad by expanding the rules within which these businesses typically work.<sup>130</sup>

Barry Sookman, Partner, McCarthy Tétrault, emphasized the importance of IP protection for Canadian businesses, saying that businesses “depend on [IP] laws that promote investment, that enable Canadian innovators to develop products at home, market them abroad, have access to those markets and know that the [IP] laws in the other countries are going to protect their innovations from knockoffs and competitors.”<sup>131</sup> Likewise, Mr. Hornby said that the IP of large companies can be at risk for theft in some countries; therefore, these companies depend on the

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<sup>126</sup> AEFA, Dan Breznitz, 42:1, [3 November 2016](#).

<sup>127</sup> AEFA, Jim Balsillie, 42:1, Issue no. 3, [24 March 2016](#).

<sup>128</sup> AEFA, Daniel Treffler, 42:1, Issue no. 9, [2 June 2016](#).

<sup>129</sup> AEFA, Mark Schaan, 42:1, Issue no. 5, [20 April 2016](#); AEFA, John Weekes, 42:1, Issue no. 2, [24 February 2016](#); AEFA, Debra P. Steger, 42:1, Issue no. 2, [24 February 2016](#).

<sup>130</sup> AEFA, Paul Halucha, 42:1, Issue no. 5, [20 April 2016](#).

<sup>131</sup> AEFA, Barry Sookman, 42:1, Issue no. 5, [21 April 2016](#).



rules on IP protection provided by trade agreements to protect their commercial advantage and recoup the high costs of developing the technology that they are exporting.<sup>132</sup>

## F. Side Agreements on Labour Cooperation

During the study, witnesses discussed the relevance and effectiveness of side agreements on labour cooperation that are included in FTAs.

Anthony Giles, Assistant Deputy Minister, Policy, Dispute Resolution and International Affairs, Labour Program, Employment and Social Development Canada explained to the Committee that side agreements on labour cooperation serve three purposes. First, by enhancing the way that labour laws are regulated internationally, they support Canada’s international policy that aims to strengthen good governance and the rule of law. Second, they aim to address the unfairness experienced by Canadian employers and workers when they compete with countries that do not enforce internationally recognized labour principles and rights, such as those relating to child labour, forced labour, minimum wages, freedom of association and free collective bargaining, and occupational health and safety. Third, as a member of the International Labour Organization (ILO), Canada has an obligation to promote, both domestically and internationally, the ILO’s core recognized labour standards.<sup>133</sup> He clarified that side agreements on labour cooperation typically include the following “key components”:

First, [they include] a set of comprehensive, mutual obligations on the part of both parties to comply with [...] labour standards. Second, it's important to include a true binding dispute resolution mechanism so that if one country or members of the community in that country believe the other country isn't upholding its side of the agreement, that there is a way to resolve those disputes. Third, and to balance that, all of our agreements also include an important element of cooperation because we believe that fundamentally the approach in this field should start with cooperation rather than disputes.<sup>134</sup>

Mr. Giles described how the “first generation” of side agreements on labour cooperation, such as those included in NAFTA and Canada’s FTA with Costa Rica, were originally focused on the obligation to enforce existing domestic labour laws. Beginning in 2009, the federal government shifted to a more prescriptive approach, seeking mutual respect for internationally recognized labour principles and rights. This new approach is reflected in Canada’s FTAs with Colombia, Jordan, Honduras, Panama, Peru and South Korea. According to him, these side agreements commit governments not to derogate from their labour laws in order to promote trade and

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<sup>132</sup> AEFA, Ross Hornby, 42:1, [3 November 2016](#).

<sup>133</sup> AEFA, Anthony Giles, 42:1, Issue no. 4, [14 April 2016](#).

<sup>134</sup> AEFA, Anthony Giles, 42:1, Issue no. 4, [14 April 2016](#).



investment, allow the public to raise labour-related concerns, and can result in monetary penalties in cases where a party fails to comply with its obligations.<sup>135</sup>

According to Rakesh Patry, Director General, International and Intergovernmental Labour Affairs, Labour Program, Employment and Social Development Canada, CETA and the TPP have a “high level of obligations,” and “binding and enforceable labour provisions.” In this regard, he stated that the TPP is the first agreement signed by Canada where the labour commitments are supported by trade sanctions rather than monetary penalties; labour disputes would be subject to the agreement’s main dispute-resolution mechanism rather than a separate mechanism, as is the case with Canada’s other side agreements on labour cooperation. In addition, he told the Committee that, parallel to the TPP, Canada signed a memorandum of understanding with the Vietnamese government to determine ways to improve labour standards within that country.<sup>136</sup>

Some witnesses challenged the effectiveness of labour cooperation side agreements on the basis of a number of arguments. First, according to them, the provisions in these agreements are “cosmetic in nature” because they are either not enforceable or not actually enforced by the parties. For Mr. Stanford, these agreements are generally implemented “with the aim of selling the trade agreement to a skeptical public as opposed to actually seriously regulating labour [...] standards [...]” He explained how the United States requested the inclusion of side agreements on labour and the environment in NAFTA in an effort to try to sell the agreement to the public, and that the labour agreement has had no impact on labour standards within North America.<sup>137</sup> For Mr. Yussuff, labour cooperation side agreements are relevant but not enforced. In his view, “we should put mechanisms [in such agreements] to ensure countries actually comply with the [requirements in the agreements].”<sup>138</sup>

These criticisms of labour cooperation side agreements seem consistent with a 2011 ILO report concluding that “most of the labour provisions, including those of the [European Union, United States and Canada’s] trade agreements [...] leave considerable discretion as to whether to take measures and what kind of action shall be taken” when a party does not comply with its obligations.<sup>139</sup> According to that report, “none of the labour provisions in trade agreements [that were examined in the report] led to any sanctions.”<sup>140</sup> Mr. Giles confirmed to the Committee that

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<sup>135</sup> AEFA, Anthony Giles, 42:1, Issue no. 4, [14 April 2016](#).

<sup>136</sup> AEFA, Rakesh Patry, 42:1, Issue no. 4, [14 April 2016](#).

<sup>137</sup> AEFA, Jim Stanford, 42:1, Issue no. 4, [13 April 2016](#).

<sup>138</sup> AEFA, Hassan Yussuff, 42:1, Issue no. 6, [4 May 2016](#).

<sup>139</sup> Franz C. Ebert and Anne Posthuma, [Labour provisions in trade arrangements: current trends and perspectives](#), International Labour Organization, 2011.

<sup>140</sup> Franz C. Ebert and Anne Posthuma, [Labour provisions in trade arrangements: current trends and perspectives](#), International Labour Organization, 2011.



Canada's labour cooperation side agreements have never led to arbitration nor resulted in sanctions of any kind.<sup>141</sup>

Mr. Patry suggested that Canada's approach to address the enforcement of internationally-recognized labour standards might evolve. He stipulated: "We [...] recognize that it's important to have proper mechanisms and tools in place to implement [labour cooperation] agreements. We are going to continue to work, both domestically and with our partner countries, in building capacity and knowledge base, and to work with partner countries [...] such as the U.S. and the EU, in coordinating our efforts with other countries in developing capacity to respect and promote fundamental labour rights in these countries."<sup>142</sup>

Other witnesses informed the Committee that FTAs might not be the best tool to use in advancing labour issues. Mr. Wilson said that Canada must remain realistic, as it "cannot simply impose [its] regulatory standards for labour, environment or any other area on another country."<sup>143</sup> Pierre-Marc Johnson, Counsel, Lavery Lawyers, stated that FTAs are not an ideal way to try to resolve issues such as labour rights, human rights and the environment, but that they can provide opportunities to encourage a permanent dialogue on matters other than trade, such as through the organization of events involving diverse stakeholders to address certain issues alongside trade negotiations.<sup>144</sup>

FTAs are not the primary forum in which Canada promotes labour standards; instead, they are part of a wider effort to increase respect for labour standards and workers' rights internationally.<sup>145</sup> Mr. Patry provided the example of Canada's technical assistance project with the ILO to help Jordan – a country with which Canada has an FTA that includes a side agreement on labour cooperation – address relevant issues, such as those relating to freedom of association, labour law reform and labour inspections.<sup>146</sup>

## **G. The Committee's Observations**

While some of the Committee's witnesses discussed concerns they have about the implementation of FTAs, no one expressed the opinion that all FTAs are fundamentally "bad." Similarly, even witnesses who could be considered as supportive of FTAs had concerns about certain issues.

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<sup>141</sup> AEFA, Anthony Giles, 42:1, Issue no. 4, [14 April 2016](#).

<sup>142</sup> AEFA, Rakesh Patry, 42:1, Issue no. 4, [14 April 2016](#).

<sup>143</sup> AEFA, Mathew Wilson, 42:1, Issue no. 6, [5 May 2016](#).

<sup>144</sup> AEFA, Pierre Marc Johnson, 42:1, Issue no. 2, [18 February 2016](#).

<sup>145</sup> AEFA, Kirsten Hillman, 42:1, Issue no. 2, [25 February 2016](#); AEFA, Rakesh Patry, 42:1, Issue no. 4, [14 April 2016](#).

<sup>146</sup> AEFA, Rakesh Patry, 42:1, Issue no. 4, [14 April 2016](#).





Witnesses expressed concerns about Canada's trade performance, notably by pointing to the fact that its merchandise trade deficits with its FTA partners has increased in recent years; on the other hand, other witnesses noted that the assessment of the actual performance of Canada in international trade, and its related impact on the country's economy, is a complex undertaking that cannot be evaluated based only on merchandise trade deficits.

As well, witnesses emphasized that the negotiation of FTAs involves compromises between the offensive and defensive economic and trade interests of a country, which can result in increased competition with both positive and negative impacts for a number of economic sectors. Indeed, the Committee notes that the compromises that occur during FTA negotiations can result in net benefits for a country, although not every person, business or sector will necessarily benefit. For some, this reality may contribute to a lack of confidence in the ability of trade agreements to lead to economic prosperity, a sentiment that seems to be increasing at the moment in certain developed countries. For this reason, the importance of doing careful and thorough analysis of the expected advantages and disadvantages of each FTA that Canada decides to negotiate or implement cannot be overstated.

The Committee underscores that mitigating the negative effects of an FTA on workers and sectors should be part of the FTA's "implementation plan." As such, Canada should assess the expected needs and implement worker and sectoral adjustment programs in conjunction with trade policy. That said, in light of the testimony it heard, the Committee believes that such a process should begin with the evaluation of the effectiveness of its assistance programs targeting displaced workers, such as education and skills development programs, as well as strategies designed to help particular sectors adjust to increased competition. If well designed, such initiatives have the potential to help share the benefits of international trade in a more inclusive manner, as well as to help prepare Canadian workers and businesses for the economic opportunities and challenges that result from international trade and increased global competition. From that perspective, the Committee recommends:

**That the Government of Canada commission one or more independent evaluations of the effectiveness of the federal measures intended to mitigate the potentially adverse impacts of free trade agreements on Canadian workers, sectors and businesses. These evaluations should be used to enhance the effectiveness of such measures, and inform the development of future "free trade agreement implementation strategies."**

During the study, many witnesses also raised issues about certain chapters and elements generally covered by comprehensive FTAs. For instance, a number of the Committee's witnesses expressed concerns about the ISDS mechanisms included in investment agreements or FTA chapters on investment protection, highlighting the possible negative impacts on the ability of



countries to regulate. Others commented on the problems associated with ISDS arbitration tribunals, particularly their lack of transparency and independence. The Committee underscores that the federal government should assess whether the announced modifications to CETA's investment chapter and its ISDS mechanism should serve as a model for future trade negotiations in order to address some of these concerns.

While the Committee recognizes the importance of facilitating the flows of investment in the context of GVCs, it also notes that opposition to the inclusion of ISDS provisions in FTAs seems to be increasing. In that regard, the Committee underlines that recent events in Europe regarding CETA, notably the opposition of the Parliament of Wallonia to ratifying the text of the agreement unless ISDS provisions are amended, threatened the conclusion of the agreement. In light of these developments, the Committee believes that the federal government should determine whether it is in the country's best interest to hold its position on the inclusion of an ISDS mechanism in future agreements that it considers strategic for Canada, when such a position could impede the successful conclusion of negotiations. The Committee also believes that Canada should participate constructively in any multilateral discussions regarding investment protection in order to increase the consistency of the global investment protection regime and address the potential weaknesses of the current regime.

Like investment, IP has increased in importance as global trade has grown. While IP chapters in FTAs are usually designed to ensure that the domestic laws of state parties comply with the minimum standards for IP protection set by international agreements, witnesses were concerned that the IP provisions in CETA and the TPP include commitments that go beyond internationally agreed standards. Regarding future FTA negotiations, the federal government should ensure that, to the greatest extent possible, IP commitments are consistent with Canada's IP regime, as well as with internationally agreed standards, assuming that such international standards continue to be deemed in the country's best interest.

The Committee's witnesses stressed that comprehensive FTAs reach into areas of domestic regulation in a way that traditional trade agreements never did before. This trend can contribute to a perception that the freedom of governments to regulate in the public interest is diminishing. In such a context, the lack of transparency of trade negotiations risks contributing to a perception that trade deals are not necessarily negotiated for the public good. The Committee believes that a higher level of transparency is required during trade negotiations, particularly as modern FTAs increasingly involve areas of domestic regulation. Increased transparency in relation to trade negotiations could help to better inform Canadians about potential advantages while also providing for opportunities to consult Canadians and take into account their concerns throughout the negotiations.



Proponents and critics of FTAs told the Committee that Canada would benefit from more transparency during trade negotiations, noting the opportunity to hold more formal and inclusive consultations with both businesses and civil society groups. The Committee agrees that more inclusive and extensive consultations could both improve the quality and types of input provided to negotiators about the trade and economic interests at stake, and foster increased public confidence. The Committee holds the view that a lack of transparency in relation to trade negotiations reduces public confidence in FTAs. In order to foster public confidence and improve the quality and variety of inputs provided to decision-makers and negotiators during trade negotiations, including negotiations concerning FTAs already in force, the Committee recommends:

**That the Government of Canada establish a formal consultation process when defining a negotiating mandate in relation to a particular free trade agreement. Consultations should continue throughout the negotiation process, provide timely updates and be open to all relevant stakeholders, including the public. As well, consultations should lead to the identification of measures to be included in a “free trade agreement implementation strategy.”**

Among the efforts aimed at enhancing transparency, consideration should be given to increased consultation with parliamentarians about new and ongoing free trade negotiations, including negotiating mandates and progress made during negotiations. Ensuring that parliamentarians are informed in a timely fashion about progress made during negotiations, while guaranteeing that information shared with them remains confidential, could enable legislators to play their role more effectively; in addition, such a process would be particularly relevant in a context where comprehensive FTAs increasingly reach into domestic issues that have not been traditionally associated with international trade. From that perspective, the Committee recommends:

**That, in order to enable parliamentarians to serve as effective legislators in relation to international trade agreements, the Government of Canada report throughout the negotiation process to the Standing Senate Committee on Foreign Affairs and International Trade, and the House of Commons Standing Committee on International Trade. Reports to these parliamentary committees should occur on a quarterly basis, and should provide information on negotiating mandates and progress made during negotiations. When required, sensitive information should be disclosed to these committees with strict adherence to in camera rules.**

Like a number of other issues discussed in this report, the use of side agreements on labour cooperation to enhance respect for core recognized labour standards could be the subject matter of a more in-depth study. The Committee underlines that the extent to which FTA labour



cooperation provisions are enforced is not clear, and notes that Canada's labour cooperation agreements have never led to arbitration nor resulted in sanctions of any kind. However, a lack of arbitration and sanctions could be due to other factors, such as the lack of information, resources and security in some of Canada's trading partners, all of which may deter local groups and individuals from filing complaints.

The federal government should assess the effectiveness of labour cooperation side agreements in order to inform future trade negotiations, as well as to increase consistency with Canada's other foreign policy priorities such as those relating to human rights, international development and the rule of law. The Committee holds the view that there may be an opportunity to engage with other like-minded countries and entities, such as the United States, the EU and the ILO, in such an assessment in order to ensure a more effective and consistent approach.

Canada is not immune to the mounting protectionist sentiments that have been expressed in the political debates of some of its key trading partners. Considering Canada's economic reliance on international trade, the federal government should take actions that will contribute to build the confidence of Canadians in the ability of trade agreements to lead to economic prosperity. The Committee considers that the recommendations outlined in the current report provide some guidance to achieve this objective.



## CHAPTER 4: FOSTERING CANADA'S ECONOMIC PROSPERITY THROUGH TRADE

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There is a general consensus that FTAs and trade liberalization alone are insufficient to create economic prosperity. During the study, witnesses often highlighted that Canada needs to ensure that its economic and trade policies support the ability of the country's businesses to compete and succeed in an increasingly competitive global environment. In doing so, witnesses emphasized that trade promotion begins with domestic efforts, and discussed a number of ideas aimed at generating greater economic prosperity for Canada.

This chapter provides a brief overview of issues that the federal government should consider in order to foster Canada's trade and economic performance in the 21<sup>st</sup> century according to the testimony. In the Committee's view, several of these issues would be appropriate topics for further parliamentary investigation, as they cover a very large spectrum of policies that could not be investigated individually and thoroughly during the course of this current study.

### A. Strengthening the Pillars of Economic Growth

Witnesses repeatedly emphasized to the Committee that global trade success “starts at home,” and that it is therefore important to ensure that domestic economic policies provide a business environment that enables Canadian businesses to thrive. Several suggested policy options were put forward by witnesses during the study, such as limiting tax increases on businesses, modifying tax incentives to help small businesses grow into larger businesses, and encouraging startups to stay in Canada when they do expand.<sup>147</sup>

Barriers to internal trade and labour mobility were discussed as areas where improvements would lead to enhanced competitiveness. Mr. Kronby, for example, underlined that “[the EU], a collection of 28 sovereign countries with a combined population of over 500 million people, has a mostly free internal market for goods and services,” and that Canada, “a single country with a population of just 35 million people, less than that of Poland, less than that of California, doesn't.”<sup>148</sup> As well, Mr. Wilson stressed that barriers to the movement of labour within Canada, such as differing provincial and territorial standards regarding the recognition of workers' qualifications, undermine Canadian businesses' competitiveness.<sup>149</sup> Witnesses suggested that addressing internal trade barriers should be a priority in order to ensure that Canadian businesses have a level playing field domestically; if barriers continue to exist, Canada's modern FTAs – such as CETA – could provide foreign businesses with better treatment or access – for instance,

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<sup>147</sup> AEFA, Monique Moreau, 42:1, [2 November 2016](#); AEFA, Daniel Schwanen, 42:1, [2 November 2016](#).

<sup>148</sup> AEFA, Matthew Kronby, 42:1, Issue no. 3, [24 March 2016](#).

<sup>149</sup> AEFA, Mathew Wilson, 42:1, Issue no. 6, [5 May 2016](#).



regarding provincial government procurement – than that of Canadian businesses from other provinces. In their view, it is imperative that a common market be developed within Canada; a level playing field domestically would enable Canadian businesses to compete on the world stage more effectively.<sup>150</sup>

Moreover, the Committee heard that the federal government should consider playing a more active role in strengthening a number of industrial sectors. Mr. Stanford for instance contested what he considers to be a commonly held belief that free trade is a sufficient condition to improve Canada's trade performance; in his view, this belief undermines governments' role in helping to build and strengthen priority sectors. He stressed the need to recognize that the government "has to be an active player in developing globally oriented sectors."<sup>151</sup> Mr. Wilson, on the other hand, said that better expertise related to Canadian industrial sectors should exist within the federal departments in order to improve the government's understanding of those sectors, and define export growth strategies specific to them.<sup>152</sup>

On the other hand, Mr. Kingston stated that Canada's trade policy should "focus on scale," considering that the propensity to export increases with firm size. He remarked that large firms, which are defined to be those with 500 or more employees, are not only more likely to export, but are also responsible for a disproportionate share of Canada's exports: according to him, the value of exports by Canada's top 10 exporting businesses in 2014 accounted for almost a quarter of the value of the country's total exports. Mr. Kingston also emphasized that, if Canada wants to increase its presence in the global market, its "trade policy should reflect the reality that large firms drive international trade," and that the focus should therefore be facilitating the exports of large firms. He also noted that a focus on large firms does not necessarily occur at the expense of smaller firms because a large number of SMEs export indirectly by participating in the GVCs of larger firms; from that perspective, domestic policies should also "help more SMEs achieve the scale required to become global exporters".<sup>153</sup> Although he did not discuss specifically a "focus on scale," Todd Evans, Principal Economist, Export Development Canada (EDC), explained that SMEs can indeed benefit from participating in the GVCs of larger companies, based in Canada or elsewhere.<sup>154</sup>

Mr. Van Assche and Mr. Schwanen stressed that Canada's performance in international trade and in GVCs relies on quality infrastructure, including border infrastructure, airports, ports and telecommunications. According to Mr. Van Assche, the quality of infrastructure is one of the

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<sup>150</sup> AEFA, Debra P. Steger, 42:1, Issue no. 2, [24 February 2016](#); AEFA, John Weekes, 42:1, Issue no. 2, [24 February 2016](#); AEFA, Matthew Kronby, 42:1, Issue no. 3, [24 March 2016](#); AEFA, Monique Moreau, 42:1, [2 November 2016](#).

<sup>151</sup> AEFA, Jim Stanford, 42:1, Issue no. 4, [13 April 2016](#).

<sup>152</sup> AEFA, Mathew Wilson, 42:1, Issue no. 6, [5 May 2016](#).

<sup>153</sup> AEFA, Brian Kingston, 42:1, Issue no. 8, [19 May 2016](#).

<sup>154</sup> AEFA, Todd Evans, 42:1, [3 November 2016](#).



factors that positively affects the ability of firms to integrate into GVCs; he notably pointed to weaknesses in the efficiency of airports in Canada and said that the country is behind the United States regarding the ability to track shipments.<sup>155</sup>

For his part, Mr. Hornby mentioned that companies need the flexibility to be able to move highly-skilled employees around the world to support GVCs-related production processes distributed among countries.<sup>156</sup> In relation to labour mobility, Ms. Hillman explained that the conditions negotiated within FTAs are limited in scope and to certain types of services. She noted that, during her consultations with stakeholders, businesses often tell her that labour mobility can be a challenge, but she also pointed out that these problems are often more a matter of immigration policy than of trade policy.<sup>157</sup>

## **B. Competing in the Knowledge-Based Economy**

According to the Committee’s witnesses, today’s global economy – or “knowledge-based” economy – is driven by science and technology (S&T), research and development (R&D), and innovation. Intangible goods – such as technology, ideas, methods and techniques – have become strategic assets in today’s international trade.<sup>158</sup> This transformation is reflected not only in the role and value of intangible goods – often protected as IP – in manufactured technological goods; in fact, resources-based sectors important to Canada’s economy – such as energy, mining and agriculture – are also increasingly impacted by the role and value of S&T, R&D and innovation. Intangible goods are therefore strategic assets in virtually all sectors of the country’s economy.

As discussed earlier in the context of the “trade-investment-services-IP nexus,” witnesses highlighted that the manner in which value is captured in GVCs is a “game changer” because R&D and innovation represent an increasing share of the value of manufactured goods. In addition, the Committee was informed about evidence suggesting that firms that are successful in international trade share certain key features: in general, these firms tend to be innovative, introduce new products and processes, and invest in both advanced technologies and R&D.<sup>159</sup>

In light of the increasing importance of intangible assets in today’s global economy, witnesses were concerned that, in recent years, Canada has underperformed in the area of R&D and innovation. They advocated that the country should therefore quickly change that course in order to benefit economically from the global opportunities that may arise from modern FTAs, such as

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<sup>155</sup> AEFA, Daniel Schwanen, 42:1, [2 November 2016](#); AEFA, Ari Van Assche, 42:1, Issue no. 11, [20 Octobre 2016](#).

<sup>156</sup> AEFA, Ross Hornby, 42:1, [3 November 2016](#).

<sup>157</sup> AEFA, Kirsten Hillman, 42:1, Issue no. 2, [25 February 2016](#).

<sup>158</sup> John M. Curtis, “[Intellectual Property Rights and International Trade: An Overview](#),” Centre for International Governance Innovation Papers, May 2012.

<sup>159</sup> AEFA, Jim Balsillie, 42:1, Issue no. 3, [24 March 2016](#); AEFA, John Baldwin, 42:1, Issue no. 9, [2 June 2016](#).



CETA and the TPP, considering that this underperformance by Canada is a significant disadvantage towards some of its trading partners.<sup>160</sup> For instance, Mr. Balsillie stated that “Canada never developed capacity for the 21st century global economy where wealth is generated by commercializing [IP].” He said that Canada is currently not a large exporter of IP and that it imports a “disproportionately” large amount of IP, which might – in his view – put the country at a disadvantage during the implementation of FTAs. According to the witness, Canada must therefore quickly improve its performance in R&D and innovation, in order to benefit from global opportunities increasingly related to trade of intangible goods.<sup>161</sup>

The Committee notes that the witnesses’ remarks are consistent with a number of recent reports that have characterized the country’s innovation performance as weak, including the 2011 review entitled *Innovation Canada: A Call to Action*, which stated that the federal government should “focus its efforts on the goal of growing innovative firms into larger enterprises, rooted in Canada but facing outward to the world and equipped to compete with the best.”<sup>162</sup> Although the federal government has started to address some of the recommendations made in these and other reports on the country’s innovation performance,<sup>163</sup> witnesses believed that significant efforts are still required to foster a Canadian business culture centered on innovation. They told the Committee that Canada has failed to develop a sophisticated innovation ecosystem that nurtures globally oriented and technology-intensive companies, and that – despite a number of relevant policies – the country still lacks an innovation strategy aimed at building businesses’ capacity to commercialize ideas and to prosper in the current global economy.<sup>164</sup> Their perspective is consistent with recent reports indicating that Canada’s innovation performance is falling behind countries with which Canada competes, which is reflected in the low level of businesses investment in R&D, innovation and other intangible assets, as well as advanced research talent.<sup>165</sup>

In the context of the study, witnesses mentioned a number of issues that should be addressed by an innovation strategy, such as the lack of access to investment and venture capital to fund R&D and innovation. Witnesses also discussed the government’s critical role in incentivizing innovation activities, and underlined that the operation of the market alone sometimes fails to encourage these activities in an optimal manner.<sup>166</sup> Mr. Breznitz provided the example of the success of the Saskatoon Research and Development Centre supported by Agriculture and

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<sup>160</sup> AEFA, Dan Ciuriak, 42:1, Issue no. 2, [18 February 2016](#); AEFA, Bernard Colas, 42:1, Issue no. 3, [24 March 2016](#); AEFA, Jim Balsillie, 42:1, Issue no. 3, [24 March 2016](#).

<sup>161</sup> AEFA, Jim Balsillie, 42:1, Issue no. 3, [24 March 2016](#).

<sup>162</sup> Independent Panel on Federal Support to Research and Development, [Innovation Canada: A Call to Action](#), 2011.

<sup>163</sup> Andrei Sulzenko, [Canada’s Innovation Conundrum: Five Years After the Jenkins Report](#), Institute for Research on Public Policy, June 2016.

<sup>164</sup> AEFA, Jim Stanford, 42:1, Issue no. 4, [13 April 2016](#); AEFA, Jim Balsillie, 42:1, Issue no. 3, [24 March 2016](#).

<sup>165</sup> Science, Technology and Innovation Council, [State of the Nation 2014 – Canada’s Science, Technology and Innovation System: Canada’s Innovation Challenges and Opportunities](#), 2015.

<sup>166</sup> AEFA, Beverly Lapham, 42:1, Issue no. 9, [2 June 2016](#); AEFA, Daniel Trefler, 42:1, Issue no. 9, [2 June 2016](#).





Agri-Food Canada regarding innovation in the agriculture sector, including its role in the development of canola as a successful Canadian industry, and noted that the Canadian and provincial governments had played a role in supporting their success.<sup>167</sup>

Moreover, some witnesses underlined that the current federal programs do not entirely address market failures in relation to R&D or innovation in Canada, and underscored that the level of government support in Canada is not commensurate with those of international competitors, such as the United States and Germany.<sup>168</sup> Mr. Breznitz remarked, however, that Canada is not necessarily behind in terms of funding for innovation compared to countries that have been successful in the field of innovation. The difference, according to him, is that those successful countries approach innovation policies as an “export policy;” in those countries, such as Israel and Finland, innovation funding is conditional on the export potential of a product, which the witness said is consistent with the fact that the “most innovative companies are also the best exporters.”<sup>169</sup>

Furthermore, Mr. Balsillie said that the concept of “freedom to operate” should be at the core of an innovation strategy and ecosystem in order to ensure that existing IP rights do not constrain Canadian businesses in the commercialization of their ideas. He mentioned for instance that Canada’s policies should be designed to facilitate the commercialization of Canadian ideas globally, and suggested that Canada should consider the establishment of sovereign patent pools that would seek to acquire patents for the collective benefit of Canadian industries, a strategy that has been adopted in such innovative countries as Japan and South Korea.<sup>170</sup>

The Committee also heard that Canada is not entirely successful in commercializing the ideas and innovations emerging from its universities, and that the IP developed in Canada is often purchased, owned and commercialized abroad.<sup>171</sup> According to John Curtis, Senior Fellow, C.D. Howe Institute, these ideas and innovations are often being commercialized in the United States instead of Canada.<sup>172</sup>

On the other hand, Paul Davidson, President, Universities Canada, admitted that there have been challenges and criticisms made about the degree of innovation or commercialization that takes place in Canada, but he argued that the record is better than some would suggest. He provided an example of success, the Digital Media Zone at Ryerson University, which brings together all the

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<sup>167</sup> AEFA, Dan Breznitz, 42:1, [3 November 2016](#).

<sup>168</sup> AEFA, Mathew Wilson, 42:1, Issue no. 6, [5 May 2016](#); AEFA, Daniel Treffer, 42:1, Issue no. 9, [2 June 2016](#).

<sup>169</sup> AEFA, Dan Breznitz, 42:1, [3 November 2016](#).

<sup>170</sup> AEFA, Jim Balsillie, 42:1, Issue no. 3, [24 March 2016](#), with complementary information from Centre for Digital Entrepreneurship and Economic Performance (DEEP Centre), [Mobilizing National Innovation Assets: Understanding The Role of Sovereign Patent Funds](#), 2016.

<sup>171</sup> AEFA, John Curtis, 42:1, Issue no. 2, [24 February 2016](#); Daniel Schwanen, 42:1, [2 November 2016](#).

<sup>172</sup> AEFA, John Curtis, 42:1, Issue no. 2, [24 February 2016](#).



relevant stakeholders to help young people build new businesses and commercialize their ideas, a model which may suggest that some universities are addressing the issue of commercialization.<sup>173</sup>

The Committee heard that universities play a pivotal role in Canada’s innovation ecosystem because of the quality of its research infrastructure; 40 per cent of all of the research occurs within that infrastructure, and universities attract international talent and opportunities to the country.<sup>174</sup> During the study, Mr. Davidson also drew attention to the fact that universities could be further leveraged to help Canada compete more successfully in the knowledge-based economy. Canada could, for instance, increase funding support to maximize opportunities for Canadian universities to participate in international research initiatives, such as the Horizon 2020 research and innovation financing program to which the EU has committed 80 billion euro over seven years. Regarding that initiative, Mr. Davidson said that Canada has been identified as a priority country by the EU, but that the country lacks the required matching funds that would allow Canadian universities to “plug” into these international opportunities. He suggested that: “[...] we need a mechanism to be able to fully play on the international stage. Frankly, we are leaving millions of dollars on the table with our international counterparts because we don’t have the kind of mechanism to match research opportunities that present themselves globally.”<sup>175</sup>

Mr. Davidson informed the Committee that Canada has been successful in attracting students to Canada, as the number of international students has tripled since 2000. That said, the witness told the Committee that the country still needs to ensure that it has the best immigration policies and processes to continue to attract international students in the very competitive environment of international education. He suggested that the federal government should keep education as a priority within Canada’s trade policy, and should examine whether the federal resources currently invested are sufficient to promote Canadian higher education globally. Mr. Davidson also stressed that only three per cent of Canadian students study abroad annually, and that a “trade-dependent” country like Canada should be able to do better : “[...] we need to get young people to be global citizens. We need to have experiences for them beyond our borders.”<sup>176</sup>

### **C. Connecting Canadian Businesses to Trade Opportunities**

In June 2015, the Committee published a study on the role of federal trade promotion services in helping Canadian businesses compete and succeed in foreign markets. Entitled *Expanding Canadian Businesses’ Engagement in Foreign Markets: the Role of Federal Trade Promotion*

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<sup>173</sup> AEFA, Paul Davidson, 42:1, Issue no. 11, [19 October 2016](#).

<sup>174</sup> AEFA, Paul Davidson, 42:1, Issue no. 11, [19 October 2016](#).

<sup>175</sup> AEFA, Paul Davidson, 42:1, Issue no. 11, [19 October 2016](#).

<sup>176</sup> AEFA, Paul Davidson, 42:1, Issue no. 11, [19 October 2016](#).



*Services*, the report underscored that while FTAs provide Canadian businesses with improved market access, they do not fully address some of the barriers preventing Canadian businesses – and particularly SMEs – from maximizing international trade opportunities, including such obstacles as a lack of information on relevant opportunities in foreign markets. The Committee’s report highlighted the critical role of trade promotion services in connecting Canadian businesses – and particularly SMEs – to opportunities in foreign markets, ensuring access to financing that supports international trade activities, and encouraging entrepreneurs’ interest in international trade. Within the context of this study, the key message from the Committee’s previous report still stands: there are opportunities to build and improve current federal trade promotion efforts.

In her testimony, Ms. Moreau underlined the necessity of addressing the barrier that prevents Canadian businesses from accessing the right information on foreign markets. She mentioned that, for instance, exporting might present untapped opportunities for a significant share of the 109,000 SMEs that are members of the Canadian Federation of Independent Business (CFIB). Although she said that there is a role for business associations like the CFIB in disseminating information about trade opportunities, she also remarked that the “government needs to do a better job in encouraging small entrepreneurs to take the plunge.” According to Ms. Moreau, one of the ways of doing so is by improving access to the government’s Trade Commissioner Service in order to lower some of the trade barriers that SMEs are facing, including those related to compliance with border procedures or regulations and standards.<sup>177</sup>

Mr. Evans noted that – in addition to the lack of access to relevant information as a barrier for Canadian businesses – accessing a foreign market usually involves high start-up costs, particularly for new or small exporters; this situation highlights the importance of having access to trade financing solutions, such as those provided by EDC. He also said that in today’s trading environment, businesses can engage in a variety of types of international activities, and that this trend has implications for the range of services provided by EDC. According to Mr. Evans:

EDC has begun to adapt [its] services to ensure exporters are fully supported as they seek to export for the first time or if they've been exporting for many years. [...] we are expanding our financial products to meet the changing needs and demands of the Canadian exporter and investor. [...] we are investing in our market knowledge, our research and information services for Canadian exporters. [...] We have established a new global trade team, and they have been tasked primarily with establishing those connections between Canadian companies and foreign buyers. So we're adding sort of a layer of service on top of our financial products for Canadian exporters.<sup>178</sup>

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<sup>177</sup> AEFA, Monique Moreau, 42:1, [2 November 2016](#).

<sup>178</sup> AEFA, Todd Evans, 42:1, [3 November 2016](#).



In addition, Mr. Evans mentioned that EDC has had some successes in connecting Canadian businesses to the GVCs of larger firms and multinationals – which EDC refers to as anchor firms – through specialized financing and “matchmaking” services aiming to ensure that a product or service from a Canadian company can meet the requirements of such anchor firm.<sup>179</sup>

Witnesses also underscored that when a new trade agreement is implemented, the government should be more proactive in reaching out to the businesses that may be interested in the resulting new opportunities. Noting that the federal government cannot just “step back” and “let the agreement happen,” Mr. Schwanen said that it needs “to be far more hands on in essentially going to firms and going to sectors and explaining to them how [...] they can take advantage of new trade agreements,” and in “[helping] them meet and communicate with their potential clients or partners in these foreign markets.”<sup>180</sup> In the same vein, Mr. Hornby explained that: “The trade deal opens the door, but you have to help companies, especially [SMEs], walk through that door through various programs such as those that EDC, government agencies and trade associations have to train their members on how to take advantage of the agreements that provide this market access.”<sup>181</sup>

Mr. Evans informed the Committee that EDC has increased efforts in that regard, using surveys to identify businesses that do not export, but that could be ready to export in the near future. He said that EDC has identified about 20,000 of those businesses in Canada, and is putting in place measures to inform these businesses of the market opportunities and the financing solutions that EDC can provide to help them access those markets.<sup>182</sup> He also mentioned that EDC will be rolling out a new initiative to build up trade promotion efforts in relation to CETA:

We recently started a new team at EDC called the global trade development team, and their primary task is to make those connections between Canadian companies and their counterparts in the EU. [...] We have a series of upcoming seminars across Canada, from coast to coast to coast, designed primarily for the business community to make them aware of how CETA works and what the advantages might be for their business and their sector. There's a lot of work to do around the awareness of that.<sup>183</sup>

As well, witnesses emphasized the idea that trade promotion services – such as those provided by the Trade Commissioner Service and EDC – can help businesses acquire the knowledge and

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<sup>179</sup> AEFA, Todd Evans, 42:1, [3 November 2016](#).

<sup>180</sup> AEFA, Daniel Schwanen, 42:1, [2 November 2016](#).

<sup>181</sup> AEFA, Ross Hornby, 42:1, [3 November 2016](#).

<sup>182</sup> AEFA, Todd Evans, 42:1, [3 November 2016](#).

<sup>183</sup> AEFA, Todd Evans, 42:1, [3 November 2016](#).



experience that will facilitate their future international trade activities, a phenomenon which Mr. Schwanen described as “learning by exporting.”<sup>184</sup>

#### **D. Remaining Engaged in the Multilateral Trading System**

Since the launch of the Doha Development Round of WTO negotiations in 2001 – which aims to liberalize trade further, as well as improve trading opportunities for developing countries – multilateral negotiations have achieved only modest results. Despite the conclusion of the Trade Facilitation Agreement negotiations in 2013, the expansion of the Information Technology Agreement in 2015 and the commitment made by WTO members in 2015 regarding the elimination of export subsidies for farm exports,<sup>185</sup> the Nairobi Ministerial Declaration adopted at the most recent WTO Ministerial Conference in December 2015 indicated that some members “do not reaffirm the Doha [negotiation] mandates, as they believe new approaches are necessary to achieve meaningful outcomes in multilateral negotiations.”<sup>186</sup> According to some observers, this statement signals a change in direction toward an agenda of less ambitious, more targeted negotiations, and an attempt by certain members to integrate new issues into the negotiations, such as investment, competition and electronic commerce.<sup>187</sup>

Bilateral and regional FTAs have been a practical and effective way to overcome the current inertia associated with multilateral negotiations, as they involve a limited number of trading partners. However, witnesses emphasized that the WTO should be at the core of Canada’s trade policy since Canada benefits from a sound global trading system. In their view, the federal government should therefore remain actively engaged in multilateral trade negotiations notwithstanding the modest results recently achieved by the WTO. For instance, Mr. Wolfe argued that “the WTO is [Canada’s] trade agreement with the world. All significant traders are members. Its agreements cover goods, services and intellectual property. Its main principles of multilateralism and non-discrimination have served Canada well.”<sup>188</sup> Similarly, Ms. Citeau underscored that, even though the current multilateral trade negotiations have not been progressing as hoped, the WTO continues to be the foundation for international trade and “remains the best forum for achieving fair, global and reciprocal gains in international trade.”<sup>189</sup>

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<sup>184</sup> AEFA, Daniel Schwanen, 42:1, [2 November 2016](#); AEFA, Ross Hornby, 42:1, [3 November 2016](#); AEFA, Todd Evans, 42:1, [3 November 2016](#).

<sup>185</sup> WTO, “[Nairobi package](#).”

<sup>186</sup> WTO, [Nairobi Ministerial Declaration](#), 19 December 2015.

<sup>187</sup> See for example, “[U.S., Other WTO Members Dispute Meaning of Doha Language in Declaration](#),” *Inside US Trade*, 25 December 2015; Shawn Donnan, “[Trade talks lead to ‘death of Doha and birth of new WTO’](#),” *Financial Times*, 20 December 2015; and Éric Desrosiers, “[Le cycle de Doha en fin de vie?](#),” *Le Devoir*, 22 December 2015.

<sup>188</sup> AEFA, Robert Wolfe, 42:1, Issue no. 5, [21 April 2016](#).

<sup>189</sup> AEFA, Claire Citeau, 42:1, Issue no. 4, [13 April 2016](#).



Like a number of other witnesses, Mr. Ouellet emphasized the importance of the WTO's dispute settlement mechanism, saying that it remains "one of the most solid in international economic law."<sup>190</sup> In referring to the recent WTO decision regarding the trade-distorting impact of the United States' country-of-origin labelling requirements for beef and pork, other witnesses highlighted the significance of the multilateral dispute settlement mechanism for protecting Canada's interests.<sup>191</sup> Witnesses also suggested that some trade areas can only be addressed effectively at the multilateral level, and noted – for example – that the elimination of agricultural subsidies cannot be addressed bilaterally and regionally in FTAs because agricultural producers in countries where these subsidies would be eliminated would continue to face competition from subsidized producers from other countries at the global level.<sup>192</sup>

Considering the WTO's relevance for the country, the Committee's witnesses stressed that Canada should demonstrate leadership in multilateral trade negotiations. Ms. Steger stated that, while preserving the ability to negotiate bilateral and regional FTAs when it is in Canada's interest to do so, the WTO should be the "central pillar" of Canada's trade policy. According to her, Canada could work with the EU and other like-minded countries to identify the issues that should be included on the agenda for the next round of multilateral trade negotiations. For his part, Mr. Van Assche said that Canada should be aware that multiplying FTAs could run the risk of undermining the WTO in the longer term.<sup>193</sup>

### **E. Informing Canada's Trade Policy with 21<sup>st</sup> Century Trade Statistics**

The Committee's witnesses highlighted that trade-related statistics must be gathered and analyzed to improve our understanding of Canadian businesses' participation in GVCs, and of the implications of that participation for Canada's trade policy. They underlined that current statistics are traditionally focused on trade in goods and on the country's trade balance, which do not provide a comprehensive and entirely accurate picture of 21<sup>st</sup> century trade flows. According to witnesses, such data account inaccurately, for example, for services trade that occurs in the context of GVCs, noting that estimates based on new methodologies seem to demonstrate that Canadian services exports represent a much higher proportion of the value of the country's total exports than previously thought.<sup>194</sup>

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<sup>190</sup> AEFA, Richard Ouellet, 42:1, Issue no. 3, [9 March 2016](#).

<sup>191</sup> AEFA, John Weekes, 42:1, Issue no. 2, [24 February 2016](#).

<sup>192</sup> AEFA, Debra P. Steger, 42:1, Issue no. 2, [24 February 2016](#); AEFA, John Weekes, 42:1, Issue no. 2, [24 February 2016](#); AEFA, Bernard Colas, 42:1, Issue no. 3, [24 March 2016](#); AEFA, Claire Citeau, 42:1, Issue no. 4, [13 April 2016](#); AEFA, Martin Rice, 42:1, Issue no. 4, [13 April 2016](#); AEFA, Robert Wolfe, 42:1, Issue no. 5, [21 April 2016](#).

<sup>193</sup> AEFA, Debra P. Steger, 42:1, Issue no. 2, [24 February 2016](#); AEFA, Eugene Beaulieu, 42:1, Issue no. 2, [18 February 2016](#); AEFA, Ari Van Assche, 42:1, Issue no. 11, [20 Octobre 2016](#).

<sup>194</sup> AEFA, Jacqueline Palladini, 42:1, Issue no. 3, [9 March 2016](#); AEFA, John Weekes, 42:1, Issue no. 2, [24 February 2016](#). See also Jacqueline Palladini, [Spotlight on Services in Canada's Global Commerce](#), The Conference Board of Canada, August 2015.



Witnesses repeatedly emphasized the need for policymakers and trade negotiators to have access to improved statistics in order to assess Canada's actual trade performance.<sup>195</sup> Ms. Blanchard, for instance, said that conducting relevant research on GVCs and foreign investment interests in Canada's domestic economy requires being able to model trade and economic activity with new indicators, such as value-added trade flows instead of gross trade flows.<sup>196</sup>

During the study, officials from Statistics Canada informed the Committee that, although there are challenges in disaggregating data regarding certain trade flows, initiatives to improve the department's ability to track the movement of goods and services traded within GVCs are being implemented. According to Danny Leung, Director, Economic Analysis Division, Statistics Canada, the department "[is] aware of the need to create these statistics and [is] in the process of improving on what has been done already."<sup>197</sup>

Nevertheless, the fact that comprehensive trade agreements address a large number of policy and regulatory areas means that the "full impact of these agreements cannot be measured in statistics," according to Ms. Steger.<sup>198</sup>

In addition to undertaking economic impact assessments before negotiating and concluding FTAs, witnesses suggested that Canada should consider a formal process for analyzing the effects of FTAs following their implementation. According to Mr. Ciuriak, the European Commission routinely commissions, at the five-year mark, a performance review of free trade agreements; adopting such a process in Canada would be worthwhile because it would enable an analysis of the factors that are influencing Canada's trade performance in the context of each FTA that the country has signed.<sup>199</sup>

## F. The Committee's Observations

Success in global markets begins at home: to compete globally, Canadian businesses must be able to rely on a domestic environment that helps them expand. In the context of the Committee's current study of the benefits and challenges resulting from various aspects of FTAs, witnesses mentioned a number of other economic issues that the federal government should consider in order to foster Canada's trade and economic performance in the 21<sup>st</sup> century, as well as to ensure that Canadians can benefit from trade agreements. Accordingly, the federal government needs to ensure that the country's "ecosystem" of trade, economic, industrial,

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<sup>195</sup> See for instance: AEFA, John Weekes, 42:1, Issue no. 2, [24 February 2016](#); AEFA, Matthew Kronby, 42:1, Issue no. 3, [24 March 2016](#).

<sup>196</sup> AEFA, Emily J. Blanchard, 42:1, Issue no. 11, [19 October 2016](#).

<sup>197</sup> AEFA, Danny Leung, 42:1, Issue no. 9, [2 June 2016](#).

<sup>198</sup> AEFA, Debra P. Steger, 42:1, Issue no. 2, [24 February 2016](#).

<sup>199</sup> AEFA, Dan Ciuriak, 42:1, Issue no. 2, [18 February 2016](#). See for instance the 2011 [Ex-Post Assessment of EU Free Trade Agreements \(Ex-Post Assessment of Six EU Free Trade Deals\)](#) and the 2015 [Ex-post evaluation of the implementation of the EU-Mexico Free Trade Agreement](#) (Interim Technical Report), both prepared for the European Commission.



innovation, infrastructure, education and immigration policies are aligned in a way that ensures the success of Canadian businesses in today's global economy.

The federal government should also assess whether it is sufficiently proactive in helping Canadian economic sectors – particularly those capable of generating significant domestic prosperity or those who have reached a certain size – to maximize their international opportunities. In assessing the relevant opportunities and risks related to such federal measures, the focus should always be the extent to which they would result in a net benefit to Canada.

In order to ensure that Canadian businesses have a level playing field domestically, which would enable them to compete more effectively globally, addressing barriers to internal trade should be among the federal government's highest priorities. In this regard, the Committee acknowledges the June 2016 report by the Standing Senate Committee on Banking, Trade and Commerce on the issue of internal trade barriers and applauds the July 2016 agreement in principle concluded by Canada's premiers regarding the replacement of the 1995 *Agreement on Internal Trade* with a new Canadian free trade agreement (CFTA); the Committee hopes that the agreement will effectively eliminate barriers to trade within Canada.

Enhancing the capacity of Canadian businesses to innovate will be critical to maximizing both domestic and global opportunities in today's knowledge-based economy. The Committee believes that the federal government has an important role to play in fostering a national culture focused on innovation. In that regard, it needs to ensure that federal policies encourage and support Canadian innovators not only to compete globally, but to do so from Canada. Innovation must be at the core of the federal agenda, and a pillar of a modern trade policy considering the significance of intangible goods in today's international trade. The Committee is therefore looking forward to reviewing the measures that will be included in the innovation action plan to be developed by the Minister of Innovation, Science and Economic Development,<sup>200</sup> and hopes that these measures will take into account the global orientation of innovation-based industries.

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<sup>200</sup> Government of Canada, "[Building an inclusive and innovative Canada](#)," News Release, 14 June 2016.





In light of these considerations, the Committee recommends:

**That, as free trade agreements do not guarantee success for Canadian businesses in the global marketplace, the Government of Canada ensure that coordinated policies in relation to international and internal trade, innovation, infrastructure, education and other relevant sectors provide the economic foundation required by Canadian businesses and workers to maximize the potential benefits of free trade agreements.**

The WTO is Canada’s “trade agreement” with the world. Although Canada has bilateral and regional FTAs that cover a significant share of its international trade, many of the provisions mirror multilateral trade rules. The WTO is the foundation for a fair trading system; it contributes to a more predictable and consistent rules-based global trading environment. Like witnesses, the Committee sees the functioning of the WTO’s dispute settlement mechanism as critical to Canada’s interests. Although multilateral negotiations are stalled at present, the WTO should remain at the core of Canada’s trade policy. The Committee urges the federal government to play a leadership role in setting priorities for the agenda to be pursued during the next round of multilateral trade negotiations.

Promoting trade is about much more than signing FTAs. Trade promotion services play a critical in connecting Canadian businesses – and particularly SMEs – to opportunities in foreign markets and encouraging entrepreneurs’ interest in international trade. The Committee is of the view that federal trade promotion efforts must be ready to connect businesses to opportunities as soon as an FTA enters into force.

In order to improve the readiness and coherence of Canada’s trade promotion services at the entry into force of an FTA, the Committee believes that each FTA should be accompanied by a publicly available “free trade agreement implementation strategy” that would identify the federal measures designed to help Canadian businesses benefit from that agreement as well as those measures aimed at mitigating the adverse impacts of the implementation of an FTA on Canadian workers and sectors. The Committee therefore recommends:

**That, when a free trade agreement is signed and prior to its ratification, the Government of Canada make public a “free trade agreement implementation strategy” in relation to that agreement. The strategy should identify federal measures in two areas: those designed to help Canadian businesses benefit from that agreement, including in relation to trade promotion; and those intended to mitigate the agreement’s potentially adverse impacts, including transition programs for negatively affected Canadian workers, sectors and regions.**



As well, to ensure the high level of readiness and coherence of the federal trade promotion services at the entry into force of an FTA, the Committee recommends:

**That, among the federal measures to be included in a “free trade agreement implementation strategy,” the Government of Canada create a task force comprising representatives from key federal departments and agencies. The task force, which should begin operations immediately after the free trade agreement is signed, but before it enters into force, should coordinate the federal measures designed to help Canadian businesses benefit from that agreement, including in relation to trade promotion efforts. The task force should consult with relevant stakeholders, including business associations and provincial and territorial governments, and should inform these stakeholders about the implementation of these federal measures.**

Considering the importance of international trade to Canada’s economic prosperity, the federal government should encourage initiatives that would provide a more accurate and complete analysis of trade flows, and improve the understanding of Canadian businesses’ participation in GVCs. In that context, the Committee highlights the importance of research initiatives that have been undertaken by Statistics Canada to improve trade-related statistics, and therefore recommends:

**That the Government of Canada expedite research initiatives led by Statistics Canada that are aimed at providing a more accurate and complete analysis of the participation of Canadian businesses in global value chains.**

Reliable statistics are required in order to inform trade negotiations adequately, as well as to assess whether the trade agreements that Canada has negotiated – and is negotiating – are in the country’s best interest. In the Committee’s view, in order to inform future trade negotiations and build public confidence in the importance of FTAs for the country’s growth and prosperity, the federal government should establish a formal process for analysing and disclosing, before ratification and a few years after implementation, the expected and actual benefits and costs of the FTAs concluded by Canada. In this regard, the Committee recommends:

**That, prior to the ratification of a free trade agreement, the Government of Canada publicly report the expected economic, labour, environmental, social and other outcomes in relation to that agreement. Moreover, five years after the ratification of such an agreement, the Government should commission one or more independent evaluations to analyze the agreement’s outcomes, and should table a report outlining these outcomes in both the Senate and the House of Commons. These reports should thoroughly describe the methodology used in the analysis, and clearly identify the agreement’s benefits and costs for Canada.**



Finally, the Committee believes that improved statistics, as well as the lessons learned from the implementation of previous FTAs, would not only inform the country's trade policy, but would also be relevant when designing adjustment measures to ensure that FTAs are a net benefit to Canada.



## CONCLUSION

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This report is the result of a broad study about the benefits and challenges resulting from various aspects of FTAs. Considering the very wide range of economic, social and political issues which may be linked, either directly or indirectly, to the negotiation and implementation of FTAs, the report focused on the main points discussed by witnesses during the study. However, the Committee recognizes that most of the issues discussed in the report could be the focus of individualized standalone parliamentary studies aimed at informing the negotiation and implementation of trade agreements.

The Committee's study highlighted that the country has been using FTAs as a tool to facilitate the participation of Canadian businesses in international trade, as they rely on trade agreements to diversify market access, compete on a level playing field with international competitors, access inputs that their businesses require, and stimulate productivity and innovation. FTAs – and especially comprehensive FTAs – also seem to have the potential to facilitate the involvement of Canadian businesses in GVCs that now shape international trade and the global economy. Considering the importance of international trade to the country's economy, the Committee sees FTAs as a tool for Canada's economic prosperity, but underscores that Canadian businesses must be able to rely on a domestic environment that allows them to maximize the opportunities resulting from these FTAs.

As well, the testimony underlined that FTAs – and trade liberalization in general – also involve compromises which can result in negative impacts for a number of sectors and workers. The Committee believes that these negative impacts cannot be ignored and should be mitigated in an appropriate manner. As well, the Committee insists on the need for the federal government to be more transparent during trade negotiations.

While considering the report's recommendations, the federal government should bear in mind that Canada is not immune to the rise of protectionist sentiments affecting a number of developed countries. Policies aiming to help Canadians maximize the opportunities resulting from these agreements as well as those required to respond appropriately to the challenges and concerns caused by FTAs are two approaches that should be used together to alleviate protectionist sentiments and increase the benefits of trade for all Canadians.



## **APPENDIX – LIST OF WITNESSES**

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### **February 18, 2016**

*As an individual:*

Pierre Marc Johnson, Counsel, Lavery Lawyers.

*Ciuriak Consulting Inc.:*

Dan Ciuriak, Director and Principal.

*As an individual:*

Eugene Beaulieu, Professor, Department of Economics, and Director, International Economic Policy, University of Calgary.

### **February 24, 2016**

*As individuals:*

Debra P. Steger, Full Professor, Faculty of Law - Common Law Section, University of Ottawa;

John Weekes, Senior Business Advisor, International Trade, Bennett Jones Ottawa;

John Curtis, Senior Fellow, C.D. Howe Institute and International Centre for Trade and Sustainable Development, and Executive Fellow, School of Public Policy, University of Calgary.

### **February 25, 2016**

*Global Affairs Canada:*

Kirsten Hillman, Acting Assistant Deputy Minister, Trade Agreements and Negotiations;

Steve Verheul, Chief Trade Negotiator (Canada-European Union);

Matthew Smith, Director, Intellectual Property Trade.



**March 9, 2016**

*As individuals:*

Richard Ouellet, Full Professor of International Economic Law, Law Faculty and Graduate Institute of International Studies, Laval University;

Gus Van Harten, Associate Professor, Osgoode Hall Law School, York University;

Michael Geist, Canada Research Chair in Internet and E-commerce Law and Full Professor, Faculty of Law - Common Law Section, University of Ottawa.

*The Conference Board of Canada:*

Jacqueline Palladini, Senior Economist, Conference Board's Global Commerce Centre.

**March 24, 2016**

*As individuals:*

Jim Balsillie, Former Chairman and co-CEO of Research In Motion (RIM);

Bernard Colas, Attorney and Partner, Colas Moreira Kazandjian Zikovsky LLP (CMKZ);

Matthew Kronby, Lawyer and Partner, International Trade, Investment and Foreign Business Transactions, Bennett Jones Toronto.

**April 13, 2016**

*Canadian Agri-Food Trade Alliance:*

Claire Citeau, Executive Director;

Martin Rice, Member of the Board of Directors and Executive Director, Canadian Pork Council.

*As an individual:*

Jim Stanford, Harold Innis Industry Professor of Economics, McMaster University and Economic Advisor, Unifor.



**April 14, 2016**

*Employment and Social Development Canada:*

Anthony Giles, Assistant Deputy Minister, Policy, Dispute Resolution and International Affairs, Labour Program.

Rakesh Patry, Director General, International and Intergovernmental Labour Affairs, Labour Program.

**April 20, 2016**

*Innovation, Science and Economic Development Canada:*

Paul Halucha, Associate Assistant Deputy Minister, Strategic Policy Sector;

Mark Schaan, Director General, Marketplace Framework Policy Branch, Strategic Policy Sector.

**April 21, 2016**

*As individuals:*

Barry Sookman, Partner, McCarthy Tétrault;

Robert Wolfe, Professor, School of Policy Studies, Queen's University, and Research Fellow, Institute for Research on Public Policy.

**May 4, 2016**

*As an individual:*

The Honourable Yves Fortier, P.C., Lawyer, Cabinet Yves Fortier.

*Canadian Labour Congress:*

Hassan Yussuff, President;

Pierre Laliberté, Senior Economist.



**May 5, 2016**

*Canadian Manufacturers and Exporters:*

Mathew Wilson, Senior Vice President, National Policy.

**May 19, 2016**

*Canadian Association of Importers and Exporters:*

Joy Nott, President.

*Business Council of Canada:*

Brian Kingston, Vice President, Fiscal and International Issues.

*Canadian Centre for Policy Alternatives:*

Stuart Trew, Senior Editor, *The Monitor*.

**June 2, 2016**

*As individuals:*

Beverly Lapham, Professor of Economics, Department of Economics, Queen's University;

Daniel Trefler, Ruth Grant Canada Research Chair in Competitiveness and Prosperity, Professor of Business Economics, Rotman School of Management, University of Toronto.

*Statistics Canada:*

Beiling Yan, Senior Research Economist, Economic Analysis Division;

John Baldwin, Special Advisor, Economic Analysis Division;

Danny Leung, Director, Economic Analysis Division;

Éric Boulay, Assistant Director, International Accounts and Trade Division.





**June 9, 2016**

*As individuals:*

Roberto Bendini, Senior Administrator, Policy Department, European Parliament;

Marika Armanovica, Administrator, Secretariat of the Committee on International Trade, European Parliament.

*Innovation, Science and Economic Development Canada:*

Gerard Peets, Director General, Manufacturing and Life Sciences Branch;

Colette Downie, Director General, Automotive and Transportation Industries Branch;

Krista Campbell, Director General, Information and Communications Technologies Branch;

Mark Schaan, Director General, Marketplace Framework Policy Branch, Strategic Policy Section.

**October 19, 2016**

*Universities Canada:*

Paul Davidson, President.

*As an individual:*

Emily J. Blanchard, Associate Professor of Business Administration.

*Deloitte:*

Michel Brazeau, Consulting National Public Sector Leader;

Duncan Sinclair, Vice Chair Deloitte Canada, Consulting.



**October 20, 2016**

*As an individual:*

Ari Van Assche, Department Chair and Associate Professor, Department of International Business, HEC Montréal.

**November 2, 2016**

*C.D. Howe Institute:*

Daniel Schwanen, Vice President, Research.

*Canadian Federation of Independent Business:*

Monique Moreau, Director, National Affairs.

**November 3, 2016**

*GE Canada:*

Ross Hornby, Vice-President, Government Affairs and Policy.

*As an individual:*

Dan Breznitz, Munk Chair of Innovation Studies and co-director of the Innovation Policy Lab, Munk School of Global Affairs, University of Toronto.

*Export Development Canada:*

Todd Evans, Principal Economist.