

**GOVERNMENT RESPONSE TO THE  
REPORT OF THE STANDING COMMITTEE ON  
FOREIGN AFFAIRS AND INTERNATIONAL TRADE**



**CANADA**  
and the future of the  
**WORLD TRADE  
ORGANIZATION**



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## GOVERNMENT RESPONSE



The Government thanks the Standing Committee on Foreign Affairs and International Trade for its June report entitled *Canada and the Future of the World Trade Organization*. The Committee's work plays an important role in preparing Canada for future trade negotiations at the World Trade Organization (WTO) and has clearly demonstrated the value to the Government of its commitment to consult with Canadians from all parts of the country and from all walks of life.

The impact of the forces of globalization on the international economy and the world trading system has been profound, and will certainly continue. Improvements in telecommunications and information technology, changes in business practices, and other developments have unleashed tremendous trade and investment opportunities. As a result, Canadians are selling, exploring, investing, and consulting in all corners of the world as never before. Selling the goods and services we produce in the global market promotes economic growth in Canada, creates jobs for Canadians, projects Canadian values abroad, and strengthens the fabric of our society at home.

Canada benefits greatly from the lower trade barriers and improved rules that have been achieved through multilateral negotiations. Indeed, Canada is integrated into the global economy as never before. Our ability to create jobs, promote entrepreneurial success, develop our technology, and maintain our high standard of living is predicated on having secure access to international markets. Over 40% of the goods and services produced in Canada are exported, one in three new jobs depends on our trade with other countries, and our exposure to international competition energizes our economy and spurs innovation.

"With NAFTA in place, our company is more competitive in today's international marketplace. This has facilitated our growth and created jobs."

Wendy Macdonald,  
Chairman and Chief Executive Officer,  
EC Bearing Engineers Limited,  
Burnaby, British Columbia

The Committee makes forty-five recommendations aimed at advancing Canada's trade agenda. Underlying the specific recommendations is an appreciation that Canadians understand the benefits of trade and wish to seize the opportunities it presents. The Committee's report recognizes that trade benefits all Canadians – teachers, business people, artists, and farmers. It recognizes that trade leads to improved employment, greater consumer choice, and lower prices. The report recognizes as well that the enhanced competitiveness and innovation that trade encourages today will enrich our children tomorrow.

The Committee suggests that Canada has interests to manage both from a commercial perspective and from a broader, "values-based" perspective. The Government agrees that trade is not only a matter of improved commercial efficiencies. Freer, rules-based trade can also help to protect the environment, promote peace and security, and improve social conditions. Since the creation of the modern multilateral trading system over fifty years ago, Canada has retained its ability to regulate in the public interest, and the Government will not relinquish that capacity. Canada's participation at the WTO is essential if we are to secure our future economic well-being and continue to promote the broader public interest.

In order to ensure that the multilateral trading system works in the interests of all Canadians, the Committee advises the Government to approach a new round of multilateral trade negotiations "with a long-term vision as well as specific objectives". The Government agrees and is currently developing an agenda for consideration at the WTO Ministerial Conference in Seattle. Participation at Seattle and beyond will produce trade agreements that will improve export opportunities for Canadians, promote rules that will level the playing field, and help provide benefits to people from all walks of life and in all parts of the world. This House can be assured that the Government will not rest until it has negotiated an outcome that meets the aspirations of Canadians.

## Canada's Overall Trade Agenda (recommendations 5, 7, and 43)

Canada is no stranger to international trade. Fully 40% of our economy relies on the cross-border exchange of goods and services. An effective rules-based multilateral trading system, therefore, is of profound importance to securing the economic and social well-being of Canadians.

Canada benefits greatly from reduced trade barriers and improved rules achieved through multilateral negotiations. With so much of our economy tied to world markets, secure access is a vital concern. Such access gives Canadian businesses confidence to invest in the plants, equipment, and research and development needed to service those markets.

Canadians understand the importance of international trade to their daily lives. Trade enables schools to be built, local businesses to grow, and jobs to be created. At the same time as trade improves our communities, it also reminds us of our need to compete, to innovate, and to pursue excellence.

With one of the most open economies in the world, we approach the new negotiations from a position of strength and assurance. Our economy has few areas of significant protection, and our products already meet or exceed most international standards. The Free Trade Agreement (FTA), and subsequently the North American Free Trade Agreement (NAFTA), have provided the impetus to make the structural adjustments required to compete in the global economy. As a result, the Canadian economy is growing and creating jobs at a pace not seen for decades; it is exporting at unprecedented levels; and Canadian businesses are more attuned to opportunities abroad.

"Over the past year and a half our staff has gone from 203 to 261 and we are hiring even more people to handle American orders. Much of this increased business and growth in personnel is due to NAFTA, which has made the U.S. market more accessible and has positioned us to compete more effectively there."

Jean-Marc Rioux,  
Union Secretary,  
ABB Canada,  
Varenes, Quebec

Canada participates actively at the W T O to ensure that the international trading regime keeps pace with changes in the world economy. But the currents of globalization intersect on many fronts. Peace and security, the environment, international development, and culture are all reminders both of the pervasiveness of globalization and of the benefits that await us if we co-operate effectively on the international stage.

The overriding objective of the W T O is to help trade flow smoothly, freely, fairly, and predictably. Canada supports this objective and will continue to participate at the W T O to develop a stronger and more prosperous multilateral trading system. The Government agrees with the Committee that "since its inception, the multilateral system has worked well for Canada". Indeed, the W T O rules-based system is of critical importance to Canada's trade interests. The Government agrees with recommendation 43 and will work to ensure that our regional trade agreements continue to be compatible with W T O provisions. Canada will continue to work towards ensuring that the W T O develops as a strong, open, credible, and rules-based institution, capable of overseeing the operation of the world trading system.

New negotiations are needed to ensure that the multilateral trading system keeps pace with the evolving economic, technological, and social characteristics of the global marketplace. The Government concurs fully with the guidelines to advance and defend Canada's interests that are set out in recommendation 5. Canada's overall objective in future negotiations must be to improve the lives of Canadians by seeking assured access to global markets; by promoting appropriate, predictable, and enforceable rules to govern international



trade and investment; and by remaining open to the world ourselves. To advance this objective, we are seeking consensus at Seattle to launch broad-based negotiations to be concluded within three or four years.

The Government agrees with recommendation 7 and the need to address implementation issues to ensure that all W TO Member countries abide by their obligations. Better implementation will build confidence in the W TO and its rules. This, in turn, will provide a solid foundation for further liberalization.

While Canada will achieve substantial benefits from the new negotiations, the Government would be remiss if it did not point out that negotiation is a two-way street. Canada's extensive experience at international trade negotiating tables, however, teaches us that "win-win" outcomes are both achievable and lasting.

## **Consulting with Canadians (recommendations 1,2, and 8)**

Fully one-third of the Committee's recommendations encourage the Government to engage and consult Canadians as we prepare for new negotiations. The Government has been, and remains, committed to a program of consultations with Canadians to learn their aspirations and concerns first-hand, so that our negotiating positions best meet the needs of all Canadians. Consultations to date reveal that Canadians realize that we live in an increasingly interconnected world, and that they favour liberalized trade. There is also an appreciation of the need to ensure that the benefits of trade are distributed widely and that Canadian values are protected. The Government will continue its outreach and consultation efforts to keep Canada's trade agenda attuned to what Canadians are saying as negotiations proceed and issues become more clearly defined.

In order to provide Canadians with timely information, updates on Canada's trade policy agenda are provided on the Department of Foreign Affairs and International Trade website at [www.dfait-maeci.gc.ca/tna-nac/](http://www.dfait-maeci.gc.ca/tna-nac/). Canadians have been encouraged to appear before Parliamentary committees and continue to participate

at “round table” meetings organized by the Government. Thousands of Canadians have been heard at meetings, deliberated in focus groups, made submissions, or otherwise participated in the development of Canada’s negotiating priorities.

The Government can also assure the Committee that interdepartmental and intergovernmental consultations are well under way. Over two dozen federal departments and agencies are helping to promote Canadian interests across a wide range of issues. Experts and officials throughout the Government confer regularly to develop trade priorities that reflect the aims of all Government programs, and the people they serve. The provincial and territorial governments are also actively consulted on all aspects of trade policy, and these consultations will continue throughout the new negotiations.

Parliament has the responsibility to make “laws for the peace, order, and good government” of this country. Canada’s international trade agreements promote peace and stability with our trading partners, provide order to our economic house, and establish rules to govern trade. Parliamentarians have a clear responsibility to know of, and contribute to, these important international trade matters. This Government welcomes the role of Parliament and the input of all Parliamentarians.

## **Agriculture and Agri-Food (recommendations 12 to 16)**

The Government of Canada is committed to the competitiveness of the agriculture and agri-food sector. The overall goal is to help this sector maximize its contribution to Canada’s economic and environmental objectives, and to achieve a safe, high-quality food supply. This means maintaining a strong foundation for the agriculture and agri-food sector as well as for rural communities. Canada’s participation at the WTO forms an integral part of the Government’s efforts to promote the interests of Canada’s agriculture and agri-food sector.



On August 19, 1999, the Government announced Canada's initial negotiating position on agriculture. Canada is seeking the elimination of export subsidies as quickly as possible, as well as maximum reductions in production- and trade-distorting domestic support. Specifically, Canada seeks an overall limit on all types of domestic support as well as substantial improvements in market access for all agricultural and food products. Canada remains committed to maintaining orderly marketing systems, such as supply management and the Canadian Wheat Board. Canada will seek to establish a working party on biotechnology to investigate the adequacy of W TO rules in this area.

In addition to welcoming the new negotiations, Canada agrees with recommendation 12 that W TO Members must live up to all of their current W TO obligations. W TO Members have, with very few exceptions, met their commitments under the Agreement on Agriculture, but complete compliance is necessary. Canada will continue to use existing W TO mechanisms, including consultations and dispute settlement, to ensure that other Members comply with their obligations.

Existing W TO commitments permit countries to use relatively high levels of domestic support and export subsidies. In some areas, the negotiations leading to the W TO Agreement on Agriculture used guidelines for establishing access commitments, rather than binding rules. This has resulted in differences between countries and between commodities in terms of the level of access provided. It is Canada's objective to level the international playing field in terms of market access, to eliminate export subsidies, and to reduce trade-distorting support. Where inequities exist, we will be working towards their elimination. The Government agrees with recommendation 13 that new trade rules must be clear and transparent, and must apply equally to all W TO Members. In this regard, Canada has been a strong advocate of increased transparency generally in all W TO operations.

A key priority of the Government's initial negotiating position is achieving substantial improvements in market access for our agriculture and agri-food producers. It is important to expand export opportunities for value-added products in order to build on our successes in the North American market and to increase global

agriculture and agri-food exports beyond their current value of \$22 billion. At the same time, the Government is committed to preserving the ability of Canadians to operate orderly marketing systems necessary for stability and profitability. Canada is prepared to discuss any factual concerns regarding the trade effects of orderly marketing systems, but decisions regarding marketing system choices will continue to be made in this country.

The issues surrounding biotechnology and its application to agriculture and market access continue to evolve rapidly. The complexities associated with biotechnology are many, and the Government is committed to respond to the concerns of Canadians and maintain our leadership in the development and commercialization of biotechnology products and services. A credible and transparent process is being established to avoid misinformation and to ensure that these issues are understood.

Recommendation 15 endorses the use of science as the reference for the application of sanitary and phytosanitary measures. The Government is taking steps to clarify the applicability of international rules to trade of biotechnology products, including genetically modified organisms. Canada is proposing the formation of a W TO working party on biotechnology. While many W TO Members consider that biotechnology products are effectively handled by current W TO rules, others are of the view that the existing rules merit clarification and elaboration to better apply to biotechnology products and services.

Several W TO provisions are especially relevant to biotechnology, including the Agreements on Technical Barriers to Trade, on Sanitary and Phytosanitary Measures, and on Trade-Related Intellectual Property. The Government believes the time is ripe for a W TO working group to explore how existing provisions apply to biotechnology. The Government will continue to act on a precautionary basis and to participate in all relevant international fora in order to learn of developments, influence the debate, and assure the best possible outcome for Canada.

## Services (recommendations 22 to 27)

The Government agrees with the Committee that Canada has "a vital stake in seeing a successful outcome of the services negotiations". Services now comprise over 60% of the Canadian economy, and international trade in services is expected to grow substantially from its current one-fifth share of all international trade. The Government is committed to ensuring a dynamic service sector tailored to the needs of all Canadians and is consulting with service providers and other stakeholders to establish Canadian priorities. We are also consulting on the detailed provisions of the General Agreement on Trade in Services (GATS) as suggested in recommendation 22. These consultations are providing critical detail on key export markets, service delivery methods, movement-of-people issues, and barriers to doing business.



"More people now realize that exporting sustains and creates jobs in Sudbury."

James Marchbank,  
Chief Executive Officer,  
Science North,  
Sudbury, Ontario

The Government agrees with recommendation 23 that the consultation process should include discussions on areas of particular sensitivity (such as health, education, and transport) and on the need to harmonize provincial requirements and to examine other countries' access commitments. In these discussions, the Government will uphold its clearly defined and long-established objective to safeguard Canada's freedom of action in key services sectors to meet national policies objectives. The Government will continue to ensure that any revisions to the way that commitments are scheduled maintain current levels of liberalization and do not prejudice future liberalization.


Given the complexities of negotiating trade in services, the Government agrees with recommendation 24 that the interrelationships among service sectors must be understood in establishing negotiating positions for the service sectors. Government must take these interrelationships into account when consulting with stakeholders, and it must also ensure that the competition and investment policy elements in various WTO Agreements are properly co-ordinated with the relevant provisions of the GATS.

The issue of mutual recognition agreements (MRAs) was raised throughout consultations as one to be targeted in the negotiations. Canada has participated in WTO work over the past three years on improving GATS provisions on mutual recognition. The WTO's work has resulted in comprehensive guidelines for mutual recognition and provisions on licensing, qualification requirements, and procedures, as well as technical standards for the accountancy sector. The new negotiations will afford an opportunity to further expand the application of the guidelines and provisions beyond the accountancy profession. Over the past two years, domestic consultations on these issues have taken place with the relevant stakeholders, in particular the national professional associations and provincial self-regulating professional bodies.

The Government agrees with recommendation 26 and will participate in any discussions in the new services negotiations on possible rules for safeguard practices and subsidies. The Government has participated in negotiations concerning subsidies and safeguard practices in accordance with Articles X (Emergency Safeguards) and XV (Subsidies) of the GATS. Although these negotiations have yet to yield firm results, they have served to expand our understanding of these complex issues and will facilitate discussions during the new negotiations.

The Government agrees with recommendation 27. Improving service trade data remains a priority for Statistics Canada and other departments, and they will continue to work closely with the private sector. Recent improvements include increased country information, more detail on trade and investment in the area of culture, and a multi-year program to collect data on services sold by Canadian-owned businesses located abroad. Canada is also participating in efforts spearheaded by the International Monetary Fund (IMF) to link the service definitions of the United Nations Central Product Classification to the common categories being compiled internationally. The Government will continue to work with domestic and international agencies to improve the classification of service products with a view to increasing the transparency of GATS and promoting further liberalization in services trade.

## Market Access (recommendations 17 to 21)



Recommendation 17 advises the Government to consult with business and the provinces to quickly identify those markets, products, and trade barriers that Canada should target for improved access in new negotiations. This work is well under way. Formal consultations have taken place with the provinces under the framework of the Federal-Provincial trade policy consultative group. These consultations will continue during the run-up to the Seattle Conference and during any negotiations that follow. Stakeholders in the private sector have also been consulted, and many submissions have been received.

"I was very impressed with the information provided by the federal government and how well they had researched the Japanese market."

John Onstead,  
President,  
Family Tradition Foods,  
Wheatly, Ontario  
Team Canada 1999 Participant

The Government agrees with recommendation 18 and assures the Committee that it is using its best efforts to secure a consensus at the WTO to launch broad-based negotiations. The Government continues to promote the need for new negotiations to reduce tariffs and other barriers that restrict trade, impede growth, and limit incomes. Canada is consulting both at home and abroad to build the required consensus.

Recommendation 19 urges improved market access with our major trading partners, with particular attention to fish and seafood, non-ferrous metals, wines, and wood products. The Government assures the Committee that it seeks improved market access to both key existing and emerging export markets across a broad range of sectors.

As a result of a joint venture agreement signed during the Team Canada 1998 trade mission, Highland Homes Ltd. is providing Primavera – a unique residential project in Chile complete with parks, schools and recreational facilities – with 840 Canadian-crafted wood homes. Sales are expected to reach 150 units per year by mid-2000, with total revenue for the development calculated at \$95 million.

Rex Philpott,  
President,  
Highland Homes Ltd.,  
Cottlesville, Newfoundland

Regarding recommendation 20, both developed and developing countries alike seek gains from the new round. Canada already provides generous and non-conditional access to the Canadian market for most of the least developed countries through the Least Developed Country Tariff

Canada has met its obligations under the Agreement on Textiles and Clothing without recourse to safeguards and will remove all remaining quantitative restrictions by the year 2005. We will continue to consult with industry regarding measures to assist the least developed countries. We view with interest proposals for enhanced market access from other countries (such as the European Union proposal that would provide access for “essentially all” products from the least developed countries). We also maintain that the more developed of the developing economies must play their part in opening their markets to the exports of less developed economies.

With respect to recommendation 21, the Government recognizes that certain international trade issues and agreements increasingly have an impact on areas of provincial or shared jurisdiction. Provincial interests and programs that could be affected by future negotiations include state trading enterprises, certifications and standards, and regulation in the service sector. Close consultation with the provinces is ongoing through a number of channels, including regular Federal-Provincial trade policy consultative meetings, as well as through regular contact at the officials’ level.





## The Environment and the Social Dimensions of Trade (recommendations 35 to 40)

Globalization is not only transforming the face of the global economy, it is also requiring governments, business, and citizen groups to consider other, related issues.

The Minister for International Trade has stated that our social and economic agendas are connected. Stronger rules governing international trade mean more opportunities for Canadians to create jobs and for our economy to grow. This economic activity, in turn, provides the resources we need to reinvest in our social programs.

While the primary function of the WTO is to ensure that trade flows freely and predictably between nations, the new negotiations provide an opportunity to explore links between the world trading system and other areas of public concern.

"Exploring new markets involves costs, but the reward far exceeds the expenses. In fact, if it weren't for exports, our company wouldn't exist today."

Bruce Friendship,  
President,  
Bayly Communications Inc.,  
Ajax, Ontario

### Environment

Canada supports the view expressed in recommendation 35 – that trade policy and environmental policy should be mutually supportive and that the WTO should contribute to sustainable development. The Government's position is that each negotiating group in the new negotiations should consider relevant trade and environmental issues. Canada also believes that the WTO Committee on Trade and Environment (CTE) should continue its discussion of trade and environment issues as the negotiations proceed, and should act as a focal point for the integration of environmental considerations in the negotiations.

In addition, although no trade measures in multilateral environmental agreements (MEAs) have been challenged to date, Canada has argued that it would be prudent, for both environmental and trade reasons, to clarify the relationship between W TO rules and trade measures in MEAs. Canada has advocated a "principles and criteria" approach to MEAs that would assist both W TO panels in assessing the legitimacy of MEA trade measures, and MEA negotiators in contemplating the appropriate use of trade measures in MEAs.

The Government agrees with recommendation 36 and has met with the Environmental Sectoral Advisory Group on International Trade (SAGIT) to solicit advice on trade and environment issues. Consultations with the Environmental SAGIT will continue throughout the negotiations. In addition, consultations have been held with civil society representatives in cities across Canada.

In regard to recommendation 37, Canada has not only carefully studied current proposals but has already taken action in many of the areas mentioned. In particular, Canada:

- participated in and helped to fund the March 1999 W TO High Level Symposia on Trade and Environment and Trade and Development. The Symposia enabled senior officials to exchange views and provided them with first-hand exposure to a range of issues and perspectives, including the views of non-governmental organizations (NGOs), industry associations, and academics. Canada also helped fund, and participated in, the NGO Symposia on Trade and Environment organized by the W TO in 1997 and 1998.
- is making preparations for an environmental assessment of the new W TO negotiations in consultation with the provinces and interested stakeholders. Canada has proposed that W TO Members undertaking environmental assessments exchange information to avoid duplication and reduce costs, and that they encourage other countries to undertake environmental assessments. Canada has also funded and participated in the workshop on "Methodologies for Environmental Assessment of Trade Liberalisation Agreements" organized in 1999 by the Organisation for Economic Co-operation and Development (OECD).



- has called for the elimination of agricultural export subsidies and a reduction in tariffs on forest products, which affect the ability of exporting countries to manage their forests in a sustainable manner. Canada has also called for further liberalization of trade in environmental goods and services.
- supports improved co-operation between the W TO and United Nations organizations, including the United Nations Environment Program, as well as with international financial, environmental, and sustainable development organizations, with a view to helping developing countries meet their W TO obligations.

With respect to recommendation 38, the Government believes it is essential to integrate trade and environment policy by increasing coordination among its ministries. In this context, the Department of Foreign Affairs and International Trade is coordinating policy formulation through consultations with a broad range of departments, including Environment Canada and Health Canada. Canadian delegations to the W TO Committee on Trade and Environment include representatives from Environment Canada and other departments. Moreover, Canadian negotiating teams for multilateral environmental agreements often include experts from outside the federal government.

## **Labour**

Canada is promoting, as recommendation 39 suggests, global adherence to two important International Labour Organization (ILO) instruments: the 1998 ILO Declaration on Fundamental Principles and Rights at Work and the 1999 ILO Convention Concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour. Canada is also active in exploring labour issues at the W TO, the United Nations, the OECD, and other important fora.

The recent interest in, and proliferation of, voluntary codes of business has created new avenues for promoting respect for internationally agreed labour standards. Canada is encouraging and facilitating the development of voluntary codes by Canadian businesses. Private initiatives include codes for the international

sourcing of light consumer goods such as apparel and footwear for sale in Canada.

In considering recommendation 39, it should be understood that the challenge is twofold for the W TO: building support for closer institutional co-operation between the ILO and the W TO, and finding ways to develop a dialogue among all W TO Members on the broader dimensions of trade liberalization. Attempts in recent years by the United States and other proponents to establish a link between labour issues and the W TO have stiffened the resistance of certain developing countries to any new initiatives in this area. These countries view such efforts as disguised protectionism rather than as genuine concern for human rights.

Canada is working with like-minded trading partners to secure official observer status for the ILO at the W TO. Canada also supports the establishment of a working group at Seattle that would address labour and other social policy issues within the context of globalization and trade liberalization. This approach encourages a more open and responsive W TO by fostering dialogue with civil society on social concerns and by promoting closer co-operation between the W TO and relevant international organizations.

## **Human Rights**

In Seattle, Canada will encourage other W TO Members to establish a forum to respond to public concerns about policy coherence among international institutions. Coherence among institutions at the international level is critical to the effectiveness of international efforts to promote growth and development, and to achieving common goals in the area of human rights. More generally, the Government is committed to promoting human rights through its involvement in international fora such as the G-8, the United Nations, and the international financial institutions.

At the G-8, we have promoted discussion of the social dimensions of globalization. Canada supported the resolution adopted at the Cologne Summit, which recognized that democracy, respect for human rights, the rule of law, and good governance are indispensable prerequisites for social stability and economic progress.

At the United Nations, Canada has encouraged the Office of the High Commissioner for Human Rights (OHCHR) to develop closer co-operation at the technical level with the international financial institutions, the WTO, and the ILO in order to better understand the links between their work and civil, political, economic, social, and cultural rights, as well as the right to development. There are ongoing contacts between the OHCHR, the ILO, the IMF, and the WTO.

At the international financial institutions, we have also urged that the impact of globalization on individuals be addressed. This includes helping developing countries make better use of best practices in order to improve their social spending so that their most vulnerable citizens will benefit.

As well as encouraging and facilitating the development of voluntary codes of conduct for Canadian business, the Government is participating in the review of the 1977 OECD Guidelines for Multinational Enterprises to reflect today's understanding of the links between social and economic concerns, including in the area of human rights.

## **Trade and Development (recommendations 6, 41, 42, 44, and 45)**

The Government agrees with recommendations 41 and 42. Only the full participation of all countries in the multilateral system will ensure that the objectives of global growth and sustainable development are achieved. The Government is exploring ways to engage developing countries, in particular the least developed, in upcoming negotiations. These include supporting relevant training, encouraging multilateral institutions to provide advice and support, devising a better approach to special and differential measures, and supporting developing countries in their attempts to improve implementation and compliance with WTO undertakings. Expanded trade-related technical assistance programs from both bilateral and multilateral donors will be an important part of future international co-operation in this area. Canada recently co-sponsored a proposal to include Trade-Related Technical Assistance as a regularly funded budget item of the WTO.

Canada is engaged in a number of initiatives to help developing countries integrate into the world trading system. Canadian assistance includes providing information programs about the W TO and the multilateral trading regime, encouraging export development and capacity building, and matching exporters in developing countries with market opportunities in Canada. Canada is providing over \$250 million for entrepreneurial capacity development and \$62 million for export development. A wide range of developing countries benefit from this assistance. For example, Canada contributes:

- \$950,000 to the International Trade Centre based in Geneva;
- \$3.2 million over five years to the Canadian Trade Facilitation Office;
- \$700,000 for the integration of the least developed countries of La Francophonie into the world trading system; and
- \$1.4 million over a five-year period for the Commonwealth Trade and Investment Access Facility. Small economies in the Commonwealth Caribbean are eligible for funding under this facility.

Regarding recommendations 44 and 45, the Government is taking every opportunity to encourage multilateral organizations – including the W TO, the W orld Bank, the IMF, and the United Nations – to work together on trade and development issues. Closer interaction between these organizations will help developing countries integrate into the international economy and meet their W TO obligations. The Government is consulting with other W TO Members on possible institutional and procedural measures in order to increase co-ordination and coherence between the activities of the W TO and other international organizations.

Recommendation 6 proposes that the Government support technical assistance programs to developing countries. Creating an environment conducive to investment is key to building greater capacity in trade and to attracting new technologies. Canada's aid programs support such efforts by promoting good governance as a critical ingredient to successfully promoting investment.



## Culture (recommendations 28 and 29)

The Government announced in the Speech from the Throne its intention to develop a new approach internationally to support the diversity of cultural expression in countries around the world.

The Government agrees that Canada should pursue a new international instrument on cultural diversity. As described by the SAGIT, the purpose of the agreement would be to set out clear ground rules to enable Canada and other countries to maintain policies that promote their culture while respecting the rules of the international trading system and ensuring markets for cultural exports. The agreement would recognize the special role of cultural goods and services and the right of governments to preserve and promote cultural diversity. The Government will pursue a multifaceted approach to build support for this strategy in such fora as the International Network on Cultural Policy, UNESCO, the WTO, the OECD, La Francophonie, and others. The Government will also continue to work with domestic stakeholders to define Canada's interests with respect to trade in cultural goods and services in the forthcoming trade negotiations.

The development of an international instrument on cultural diversity will likely take several years. In order to build support for this instrument, Canada will continue to engage in discussions on how best to ensure that countries can maintain the flexibility to pursue their cultural policy objectives, while respecting the rules governing the international trading system. We will keep all options open on the most appropriate forum for the negotiation of a new international instrument and its content. Issues likely to be discussed regarding the content will include those outlined by the Committee.

Pending developments with respect to the negotiation of a new International Instrument on Cultural Diversity, the Government of Canada will continue to seek the maximum flexibility in international agreements to pursue its cultural policy objectives.

## Emerging Technology (recommendation 30)

The Government has been studying the impact of emerging issues such as electronic commerce on Canada's commercial relations with other countries and is developing national policies on telecommunication services, electronic commerce, and intellectual property.

The Government agrees with recommendation 30 that electronic commerce issues can be promoted within the context of existing W TO agreements. Work within the W TO should lead to further liberalization of the telecommunication services sector and identify measures that will ensure that appropriate protection is provided for intellectual property rights in a digital environment.

"I want to commend the Canadian government for its initiatives to create a winning environment for companies that strive to develop, manufacture and export high technology products from Canada to world markets. In addition, I want to thank Team Canada for all the help it has provided in positioning Harris Canada to receive a world product mandate from its parent company. This investment will create up to 320 jobs in Montreal - where we will also develop chip designs for our new wireless products - and close to 400 jobs in Calgary."

Richard Peabody,  
President,  
Harris Canada,  
Montreal, Quebec



To facilitate the W TO's work in electronic commerce, the Government believes it would be useful to establish a horizontal working group that would advise W TO bodies and negotiating groups.



## **Intellectual Property (recommendation 31)**

The Government agrees that Canadian positions in intellectual property (IP) trade policy negotiations should represent all Canadian interests. An international framework for IP rights provides certainty and transparency that encourages trade. It also encourages innovation and investment in research and development, both at home and in export markets. It facilitates licensing arrangements (such as the transfer of technology) to establish or expand business opportunities. Finally, such a framework for IP rights allows for the balancing of national objectives, such as the protection of public health, and the promotion of the public interest in certain key sectors.

Canada will participate in continuing international negotiations covering intellectual property rights and will develop negotiating positions that are consistent with our domestic intellectual property policies and that advance Canadian IP interests as they evolve through ongoing consultations with Canadians. Canada will also build alliances with trading partners to help in obtaining successful results for Canada.

## **Investment and Competition Policy (recommendations 32 to 34)**

The Government agrees with recommendation 32 that in any future W TO negotiations on investment there should be a clear delineation of the concept of expropriation. There is a need to ensure that the Government retains the right to regulate in the public interest while at the same time seeking to protect the interests of Canadian investors abroad.

A number of rules related to foreign investors and their investments are incorporated in current W TO agreements, but there is no comprehensive multilateral investment instrument. Over the past three years, a W TO working group has been examining the relationship between trade and investment and the scope for establishing further disciplines. At the Seattle Conference, Ministers will decide on the future direction of investment discussions within the W TO.

Meanwhile, domestic consultations continue to help define Canadian priorities in this area, and an extensive assessment is being carried out to identify the barriers to investment that face Canadian firms in foreign markets as well as the gaps in current W TO rules for addressing these barriers.

The Committee's recommendation with respect to competition policy endorses the approach taken by the Government. In addition to the work undertaken by the W TO Working Group on the Interaction Between Trade and Competition Policy, trade and competition officials are working at the OECD on a set of international competition principles. Building on this, and taking into account the support expressed for this approach in our public consultations, Canada supports the establishment of a negotiating group at the Seattle Conference to develop core elements of a multilateral agreement on competition policy, on the understanding that such an agreement would not prejudice the independence of competition authorities.

A W TO framework agreement would require countries to adopt a sound competition law, with appropriate scope and independence in investigation and adjudication. It would also require a commitment to the principles of transparency, non-discrimination, and procedural fairness. Such a framework agreement would facilitate access to effective deterrents and provide an advocacy role for the competition authority while protecting confidential information. It would also provide common approaches to address specific anti-competitive conduct (such as cartels, abuse of dominance, and anti-competitive mergers), as well as provide mechanisms to facilitate co-operation between competition authorities.

The application of binding dispute settlement to competition cases is complex and controversial. Substantial analysis is required to determine how it would work in practice and what impact it would have on law enforcement activity. Certainly, dispute settlement procedures cannot review decisions of competition authorities in individual cases.

The establishment of support mechanisms will be critical to the

successful implementation of a WTO agreement on competition policy. A peer review process similar to the Trade Policy Review Mechanism could provide countries with an objective review of the substantive provisions of their competition policy. Any agreement will also need to take into account the development dimension. Technical assistance will need to be well designed to help developing and economies in transition enhance their capacity in the area of competition policy.

Finally, the Government continues to encourage research to better understand the impact of anti-competitive practices on international trade and investment. This includes the work being conducted at the OECD, the United Nations Conference on Trade and Development (UNCTAD), the World Bank, and the WTO.

## **Institutional Improvements to the WTO (recommendations 3, 4, 9, 10, and 11)**

With respect to recommendations 3, 4, and 9, the Government agrees that the WTO and its activities need to be improved. Prior to the creation of the WTO in 1995, the institutional framework of the multilateral trading system had changed very little in almost fifty years. The creation of the WTO was a remarkable achievement, and we continue to benefit from its features, including the dispute settlement mechanism. The WTO's principles and practices have served its Members well, but changes are required to make it more responsive to their needs. Improvements are particularly needed in relation to dispute settlement, transparency, and coherence.

### **Dispute Settlement**

The Committee's report identifies two key issues related to the Dispute Settlement Understanding (DSU) Review, the participation in dispute settlement procedures by non-state actors, and the ambiguities found in the implementation articles of the DSU.

With respect to the participation of non-state actors, either as observers or through the submission of amicus curiae briefs, the Committee rightly points out in recommendation 10 that there is a

need to protect privileged trade information. While we support the objectives of transparency that non-state participation promotes, we also have concerns about the impact that these measures could have on the state-to-state character of the W TO's dispute settlement mechanism. To move forward, we will need to clearly define the framework for introducing such steps and assess their potential impacts.

Recommendation 11 raises the issue of the drafting inadequacies of the implementation articles of the DSU. The Government believes that clarification is needed on the relationship between DSU Article 21.5 (which provides for an expedited determination of compliance), Article 22 (which permits a complaining party to retaliate in cases of non-compliance), and Article 23 (which prohibits unilateral action). We view this as a critical priority in the DSU Review and believe that unresolved implementation issues pose grave threats to the W TO. Canada is leading work at the W TO to reach agreement on the fundamental policy objectives of these provisions and amend the text of the DSU accordingly.

## Transparency

In its recommendations on institutional transparency, the Committee suggests that there is a need to ensure broader and quicker access to working documents and to improve NGO participation in the work of the W TO. We agree that greater transparency of W TO activities is essential to building and maintaining public support for the multilateral trading system.

Last October, Canada made a formal submission to the W TO General Council with proposals that would make W TO working documents readily available to the public. Support for this initiative is mixed among the W TO Members, with some favouring further restrictions to existing practices. Although Canada continues to pursue improvements in this area, progress is expected to be incremental.

The General Council has provisionally supported a proposal that sets out selection criteria and guidelines for approving requests for observer status from international intergovernmental organizations (IIGOs). This initiative introduces equity and consistency to the selection process and ensures that IIGO interests are considered and debated openly.

Domestically, Canada is engaged in a broad range of stakeholder consultations in the lead-up to the Seattle Conference, as outlined earlier in the Government's Response. We welcome further Secretariat outreach efforts as a means of improving understanding of the WTO.



In conclusion, the Government would like to thank the Committee and all Canadians who have participated in this and other consultative initiatives. As we move forward into the next millennium, the importance of international trade and investment will increase. Canada's future prosperity depends on a smoothly functioning, rules-based international trade system. Continued dialogue and consultations with Canadians will enable the Government to ensure that Canada's trade policy objectives and priorities address the concerns and meet the needs of Canadians.