

Ottawa, April 11, 2001

Backgrounder

OPENING DOORS TO THE WORLD:

CANADA'S INTERNATIONAL MARKET ACCESS PRIORITIES — 2001

Securing access to foreign markets is an important component of the overall effort to ensure long-term economic success and continued prosperity for Canadians. The Government of Canada, in close consultation with Canadians, is working to bring down barriers in key markets.

Opening Doors to the World: Canada's International Market Access Priorities — 2001, describes significant market-opening results achieved in the past year and outlines the government's priorities for further improving access to foreign markets in the year ahead. The report sets out the range of initiatives the government will pursue in 2001 at the multilateral, regional and bilateral levels, and provides details on specific obstacles to be tackled in various markets. The report also highlights the importance of international trade to the provincial economies, with the 2001 report focussing on the Prairies: Alberta, Saskatchewan and Manitoba.

MARKET ACCESS RESULTS IN 2000

World Trade Organization (WTO)

In 2000, Albania, Croatia, Georgia, Jordan, Lithuania and Oman acceded to the WTO, increasing the number of members to 141.

During 2000, Cyprus, Jordan, Oman and Slovenia became signatories to the WTO Information Technology Agreement.

North American Free Trade Agreement (NAFTA)

Two-way merchandise trade between Canada and Mexico grew by 27 percent, reaching \$14 billion in 2000. Our two-way merchandise trade with the United States was up 12 percent over the same period, reaching \$627 billion in 2000.

A third round of "accelerated" tariff reductions under the NAFTA was implemented in January 2001. Mexican tariffs were eliminated on certain pharmaceuticals, chemicals and batteries, representing close to \$207 million in bilateral merchandise trade. The total value of products covered by the tariff acceleration package, representing tariff cuts by Canada, the United States and Mexico, was approximately \$1 billion.

United States

On June 16, 2000, President Clinton signed into law Bill H.R. 4489, amending

Section 110 of the Illegal Immigration Reform and Immigrant Responsibility Act of 1996. This amendment precludes the imposition of new documentary requirements for Canadians travelling to the United States and averts the threat of debilitating border congestion.

The State of Michigan agreed to reduce the Single Business Tax liability of Canadian trucking companies by approximately two thirds.

A national security investigation under Section 232 of the U.S. Trade Expansion Act of 1962 found that Canadian oil imports were a reliable and secure source of supply, and that the energy provisions of the Canada-U.S. Free Trade Agreement and the NAFTA had enhanced U.S. national energy security.

Mexico

The Mexican market for fixed and mobile satellite telecommunications services is now completely open to Canadian firms following the coming into effect of the 1999 Canada-Mexico agreement and the signing of technical protocols.

The Mexican government implemented an auction system for the tariff rate quota allocation for dry beans in response to Canadian concerns about delays in receiving quota certificates.

Free Trade Area of the Americas (FTAA)

Negotiators carried out ministers' instructions to produce a draft text of the various issues areas of the FTAA Agreement for ministerial review in Buenos Aires in April 2001.

Brazil

Canada successfully challenged Brazil's implementation of an earlier WTO ruling concerning its export financing program for aircraft, which was found to be in violation of the Agreement on Subsidies and Countervailing Measures. In December 2000, Canada was also given WTO authority to impose countermeasures against Brazil for Brazil's failure to comply with the WTO findings.

European Union (EU)

In March 2000, the European Union enlarged its annual Tariff Rate Quota (TRQ) for cooked and peeled shrimp to 5000 metric tonnes at a 6 percent tariff (compared with the standard 20 percent tariff), an increase of 1000 metric tonnes from the 4000 metric tonnes quota set for 1999.

In February 2001, an agreement was reached with the EU that will allow for the export of Canadian icewine.

Japan

In March 2001, Japan recognized Canada's system of conformity assessment for wood products, which will allow qualified firms to inspect and stamp products as meeting Japanese standards.

Other Key Markets

In July 2000, **Chile** rescinded its tax on Canadian gold coins.

In January 2001, **Chile** granted Canada an exclusion on a provisional safeguard measure imposed in 1999 on wheat and wheat flour, edible vegetable oils and sugar as well as on powder and UHT (ultra high temperature) fluid milk.

Korea lowered its applied tariff on canola meal from 5 percent to 2.5 percent in July 2000 and maintained the applied tariff on alfalfa at 1 percent.

In 2000, following Canada's successful challenge of Australia's implementation of a WTO ruling concerning the importation of salmon, Canada and **Australia** negotiated an agreement that reopened the Australian market to fresh, chilled and frozen Canadian salmon subject to certain certification and packaging requirements.

CANADA'S MARKET ACCESS PRIORITIES FOR 2001

World Trade Organization (WTO)

The launch of expanded, broad-based trade negotiations at the World Trade Organization is key to ensuring a healthy, forward-looking global trading system. Canada will continue its efforts to build confidence in the world trading system and to establish consensus on expanded negotiations.

In the WTO agriculture negotiations, Canada will continue to pursue the elimination of export subsidies, significant reductions in trade-distorting domestic support and substantial improvements in market access.

In the WTO services negotiations, Canada will pursue multilateral, legally enforceable rules that will allow increased access to foreign markets for Canadian services firms in sectors including professional, business, financial, telecommunications, computer, environmental and transportation services.

Canada will pursue improvements to the WTO itself by supporting greater transparency, both in ongoing WTO activities such as dispute settlement and in the conduct of future multilateral trade negotiations.

North American Free Trade Agreement (NAFTA)

Working with its NAFTA partners, Canada will seek to reinvigorate the NAFTA to ensure that it continues to respond to the needs of exporters and investors. Canada will look to clarify certain key procedural and substantive provisions of the investment chapter of the NAFTA and increase procedural transparency.

United States

Canada will seek to ensure continued access to the U.S. market for Canadian softwood lumber exports following the expiration of the Softwood Lumber Agreement on March 31, 2001; press for removal of U.S. restrictions on imports of potatoes from Prince Edward Island, including through the NAFTA dispute settlement process if necessary; defend Canada's international trade agreement rights to maintain market access to the United States for Canadian wheat; and work with the United States to ensure the free movement of goods, services and persons across the Canada-U.S. border.

Mexico

Canada will seek to remove the ban on Prince Edward Island and New Brunswick seed potatoes and press for resumption of trade based on the 1998 bilateral agreement; clarify Mexican requirements for certification of processed foods; and continue discussions for improved Canadian access for frozen french fries and apples.

Free Trade Area of the Americas (FTAA)

Canada will continue to play an active leadership role in the FTAA negotiations and will attempt to advance agreement on an integrated draft text of the FTAA Agreement; continue to work to ensure greater transparency in the FTAA negotiating process by seeking consensus for the release of the draft text; seek to reinforce the efforts of hemispheric environment and labour ministers to enhance co-operation in these areas; and push for an agreement among FTAA countries on a more effective mandate for the FTAA Committee of Government Representatives on the Participation of Civil Society.

Brazil

Canada will continue its efforts through the WTO dispute settlement process to ensure that Brazil respects its international trade obligations with regard to its export financing program for aircraft. Canada will also continue to raise concerns about the imposition of duties and charges on imports that are not notified in Brazil's WTO schedule, such as the Merchant Marine Renewal Tax.

European Union

Canada will seek the elimination of export subsidies and the reduction of production-distorting domestic support through the WTO agriculture negotiations; continue to pursue improved market access for Canadian wine and spirits; and continue to support Canadian industry's efforts to encourage European producers and users of ingot to urge the European Commission to suspend the 6 percent tariff.

Japan

Canada will press for reduction of duties applied to vegetable oils (particularly canola), processed foods, forest products (spruce-pine-fir lumber, softwood plywood, laminated veneer lumber, oriented strand board and laminated beams), red meats, fish, non-ferrous metals and leather footwear. Canada will also seek the elimination of specific technical and regulatory barriers in Japan to facilitate Canadian exports in such priority sectors as agri-food, building products and services.

Other Key Markets

Canada will:

- ? continue to make representations to **Chile** to remove its ban on Canadian fish eggs;
- ? work to advance free trade negotiations with **El Salvador, Guatemala, Honduras** and **Nicaragua** and to advance discussions with the countries of the **Caribbean Community** (CARICOM) on a framework for free trade negotiations;
- ? closely monitor the treatment of Canadian telecommunications equipment and services companies that are already present in the **Chinese** market;
- ? continue to press **Korea** for parity of treatment between canola and canola products on one hand and soy and soy products on the other;
- ? continue to press **Chinese Taipei** to provide Canadian beef with tariff treatment equal to that afforded U.S. beef;
- ? continue to press **India** to respect its WTO Information Technology Agreement commitments, particularly for telecommunications equipment;
- ? continue to make representations pressing for removal of the **New Zealand** ban on imports of trout and sanitary-related restrictions on imports of salmon, trout and char;
- ? seek removal of remaining barriers to trade in goods and improve access for Canadian companies to **Singapore's** services sectors, including financial and professional services, possibly through a bilateral free trade agreement process;
- ? work to ensure that **Indonesia** does not impose increased tariffs on soy beans and other agriculture products and that Indonesia's "check price" system does not disadvantage Canadian exporters;

? seek to ensure full implementation and enforcement of intellectual property rules in accordance with **Thailand's** WTO obligations; and

continue to monitor the **Philippines'** implementation of the new inspection rules governing the import of meat and meat products and press for timely issuance of import permits.