

Initial Environmental Assessment of the Canada-Chile Government Procurement Chapter to be added to the Canada-Chile Free Trade Agreement

I. Executive Summary

This report outlines the results of the Initial Environmental Assessment (EA) of the negotiations between Canada and Chile towards a government procurement chapter to be added to the existing Canada-Chile Free Trade Agreement (CCFTA).

This EA follows the process outlined in the 2001 *Framework for the Environmental Assessment of Trade Negotiations* (Framework). The process focuses on the environmental impacts in Canada and normally involves three phases – the Initial, Draft and Final assessments. The middle, or Draft phase, is not undertaken if the agreement is not expected to generate significant economic effects in Canada. Public and stakeholder consultations are an integral part of the EA and are undertaken throughout the process.

The Initial EA of the Canada-Chile government procurement negotiations identifies the likely economic effects of the chapter and, on this basis, draws conclusions about the potential environmental impacts in Canada. The report also considers the impact of the chapter on the ability of Canada to regulate in the interest of environmental protection.

The results of the Initial EA indicate that there will be no significant changes to the level of existing government procurement activity by the Canadian federal government as a result of these negotiations. This agreement may result in an increase in the number of Chilean government procurement contracts awarded to Canadian suppliers. While these contracts will be economically significant to the successful Canadian bidder the economic activity that will be generated by these contracts, relative to the overall output of the Canadian economy, will be small in scale. In addition, the Chilean government procurement contracts for which Canadian suppliers would most likely be successful bidders will be in areas such as architectural, engineering and other consulting services and large scale public works projects. As any construction activity will be undertaken in Chile the environmental impact within Canada is expected to be minimal.

The Canada-Chile government procurement chapter will not have a negative effect on Canada's ability to develop and implement environmental policies and regulations. Canada will safeguard its ability to maintain and expand the current framework of policies, regulations, and legislation for the protection of the environment in a manner consistent with its domestic and international obligations.

The Government of Canada welcomes comments on this Initial EA. A Draft EA will not be carried out as the economic effects in Canada of the Canada-Chile government

procurement chapter are expected to be relatively small. The Final EA will coincide with the conclusion of the negotiations. Please submit comments to: consultations@international.gc.ca.

II. Introduction

Both governments and suppliers benefit from efforts to open government procurement markets to free trade. Government procurement agreements open up new opportunities for Canadian suppliers to bid on procurement contracts issued by governments outside of Canada. These agreements also help to ensure that Canadian suppliers are treated in an open, transparent and non-discriminatory manner when they bid on these procurement contracts.

There is a government procurement chapter in the North American Free Trade Agreement. Canada is also a Party to the World Trade Organisation Agreement on Government Procurement.

A chapter on government procurement was not included in the original CCFTA. Upon the conclusion of the U.S.-Chile Free Trade Agreement, which includes a chapter on government procurement, Chile agreed to negotiate a chapter on government procurement to be added to the CCFTA. Canada is seeking this addition to the CCFTA so that Canadian suppliers of goods and services will enjoy similar treatment by the Government of Chile as U.S. suppliers of goods and services enjoy. Canada and Chile engaged in negotiations of the government procurement chapter in May, 2004.

III. Background on the EA Process

The Framework provides a methodology for conducting an EA of a trade negotiation. It is intentionally flexible so that it can be applied to different types of negotiations (e.g., multilateral, regional, bilateral) while ensuring a systematic and consistent approach to meet two key objectives.

The first objective is to assist Canadian negotiators to integrate environmental considerations into the negotiating process by providing information on the possible environmental impacts of the proposed trade agreement. As such, trade negotiators and environmental experts are involved in the EA and work proceeds in tandem with the negotiations.

The second objective is to respond to the environmental concerns expressed by the public. The Framework contains a strong commitment to communications and consultations throughout each EA of trade negotiations.

Three phases of assessment are generally undertaken: the Initial, Draft, and Final EA. These phases correspond to progress within the negotiations. The Initial EA is a preliminary examination to identify key issues. It occurs early on in the negotiations. The Draft EA builds on the findings of the Initial EA and requires detailed analysis. A Draft EA is not undertaken if the negotiation is not expected to yield large economic changes. The Final EA takes place at the end of the negotiations. At the conclusion of each phase, a public report is issued with a request for feedback.

A consistent analytical methodology is applied during each phase. The Framework recognizes that economic and environmental effects can relate to changes in the level and pattern of economic activity, the type of products traded, technology changes, as well as regulatory and policy implications.

The Government of Canada has completed Initial EAs of the WTO, FTAA, Singapore, and CA4 trade negotiations, and is currently undertaking the Draft EA for the WTO negotiations. The original CCFTA was never subject to an EA as its negotiation predated the development of the EA process. The Government of Canada will continue to apply the Framework to future trade and investment negotiations.

Given the small change in economic activity that is expected to result from this chapter, we will proceed directly to the Final EA stage. The findings of this Initial EA have been communicated to Canada's lead negotiator and to an interdepartmental committee. Any comments the public has on this report will inform the Final EA.

IV. Invitation to Submit Comments

In keeping with the Framework, an Environmental Assessment Committee (EAC) has been formed to undertake the analysis of this negotiation. Coordinated by Foreign Affairs Canada and International Trade Canada, the Canada-Chile Government Procurement Chapter EAC includes representatives from other federal government departments. An important responsibility of the EAC is to gather input from Provincial and Territorial Governments, stakeholders representing business, academia, and non-governmental organizations, as well as the general public.

As part of its commitment to an open and transparent process, the Government has opened this Initial EA for public comment from October 24, 2005 to November 24, 2005. Feedback on the likely economic effects and the likelihood and significance of resultant environmental impacts are especially welcome. Keep in mind that the assessment is focused on the possible environmental impacts in Canada.

Comments on this document may be sent by email, mail or fax to:

Initial Environmental Assessment of the Government Procurement Chapter of the
Canada-Chile Free Trade Agreement.
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Email: consultations@international.gc.ca

V. Analysis of the Canada-Chile Government Procurement Chapter

Canada engaged with Chile in negotiations of a government procurement chapter to be added to the CCFTA in May, 2004. The Canada-Chile negotiations are anticipated to conclude before the end of 2005.

a) Identification of Likely Economic Effects

Once negotiated, the government procurement chapter will ensure Canadian suppliers of goods and services will receive the same treatment by the Government of Chile as that received by Chilean suppliers. The same will be true for Chilean suppliers seeking to bid on government procurement contracts awarded by the Government of Canada. The chapter will oblige the Parties to make notices of upcoming contracts available to suppliers from the other Party and to evaluate their bids fairly and in the same manner as domestic bidders.

The Chilean government procurement contracts that Canadian suppliers would most likely pursue will be in areas such as architectural, engineering and other consulting services and large scale public works projects. It is in these sectors that Canadian suppliers enjoy a competitive advantage. Suppliers of professional services may see an increase in their business activities as a result of this agreement.

In terms of scale of activity, it is not expected that this chapter will lead to a significant increases in domestic production or consumption. It is difficult to predict the number or types of contracts that Canadian suppliers may win. It is likely, however, that the number each year will be modest. While winning a Chilean government procurement contract may be economically significant to the successful Canadian bidder, the economic activity that will be generated by these contracts, relative to the overall output of the Canadian economy, will be small in scale.

b) Identification and Assessment of Likely Environmental Impacts in Canada and the Context for these Impacts

The contracts of most interest to Canadian suppliers will likely consist of consulting and building projects. Any activity involving the use of physical resources will be undertaken in Chile. It is conceivable that if Canadian suppliers are successful in bidding on large scale public works contracts in Chile there may be a transfer of environmentally-responsible technologies in areas such as sewage and water management and electricity generation.

Changes to consumption and production in Canada are not expected as a result of this chapter. Therefore the environmental impact within Canada is expected to be minimal.

c) Policy and Regulatory Context

This chapter will be entirely consistent with Canada's obligations under multilateral

environmental agreements, such as the *Montreal Protocol*, the *Bio-diversity Convention* and the *Kyoto Protocol*.

The Canada-Chile government procurement chapter will not have a negative effect on Canada's ability to develop and implement environmental policies and regulations, including with respect to green procurement. Canada will safeguard its ability to maintain and expand the current framework of policies, regulations, and legislation for the protection of the environment in a manner consistent with its domestic and international obligations.

VII. Stakeholder Feedback

A Notice of Intent to conduct an EA of the Canada-Chile government procurement chapter was posted on the Trade Negotiations and Agreements website of International Trade Canada on August 19, 2005. The Notice included an invitation to interested parties to submit their views on the likely environmental impacts of the Canada-Chile government procurement chapter in Canada. No comments were received.

VIII. Conclusion and Next Steps

The Initial EA concludes that significant increases in the level of economic activity in Canada are not expected as a result of the Canada-Chile government procurement chapter negotiations. The Chilean government procurement contracts for which Canadian suppliers would most likely be successful bidders will be in areas such as architectural, engineering and other consulting services and large scale public works projects where most of the activity involving the use of physical resources will be undertaken in Chile. As such, the environmental impacts within Canada are expected to be minimal.

The Initial EA will be circulated to decision makers to inform the conclusion of the negotiations as well as other policy development activities. Following the receipt of public and stakeholder comments on the Initial EA, the Final EA will be completed taking into account the consultative findings. In the light of the Initial EA's conclusions that there will be no significant environmental impacts in Canada, preparation of a Draft EA is deemed to be unnecessary. The Final EA will coincide with the conclusion of the negotiations with Chile.