

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

---



*Crossing the Atlantic:*

*Expanding the Economic Relationship between  
Canada and Europe*



Also available on our Web site:  
<http://www.dfait-maeci.gc.ca/english/geo/europe/index.htm>

Produced by the Department of Foreign Affairs and International Trade

## TABLE OF CONTENTS

Introduction . . . . .	1
Recommendation 1	
Rectifying Image Problems . . . . .	3
Recommendations 2 - 5	
Promoting Trade and Investment with Europe . . . . .	7
Recommendations 6 -10	
Achieving Free Trade with Europe . . . . .	11
Recommendations 11 -12	
Making Progress at the WTO . . . . .	13
Recommendations 13 -16	
Strengthening Official Transatlantic Links . . . . .	17
Recommendations 17-18	
Lowering European Trade Barriers . . . . .	19
Recommendations 19 - 23	
Dealing with EU Enlargement . . . . .	23
Recommendations 24 - 25	



## INTRODUCTION

The Report of the Standing Committee on Foreign Affairs is timely since this year marks the 25th anniversary of the Canada-EU Framework Agreement on Economic Cooperation. That agreement was "inspired by the common heritage, special affinity and shared aspirations" that unite Canada and the countries of the European Union.

The Government of Canada welcomes the Standing Committee's Report, *Crossing the Atlantic: Expanding the Economic Relationship between Canada and Europe* for its guidance in helping Canada realize the full potential of this vital relationship. The European Economic Community has changed more than its name in the past 25 years. The EU now represents the world's largest market; its 375 million citizens move and work freely across the borders of its 15 member states. Most will soon buy and sell using its single currency, the euro. Within a decade, the Union could comprise 28 member states. Moreover, Canada's relationship with the new European Union now goes beyond commercial ties to encompass the whole range of issues facing Western nations: foreign and defence policy, the environment, social issues, immigration, information technology, health and employment.

The European Union is Canada's second largest economic partner. In 2000, bilateral trade in goods and services accounted for \$75.4 billion and two-way cumulative investment totalled \$134 billion. While the dollar figures are healthy, trade with Europe as a share of Canada's total trade has been in decline and vice versa. Twenty-five years after the Framework Agreement, the Report challenges Canadians to reassess Canada's relations with Europe, to rethink our global and bilateral economic and political priorities and to fashion new and innovative policies to respond to changing realities. The Report is an important step in this examination, which will involve the federal and provincial governments as well as the non-governmental sector.

### **RECOMMENDATION 1:**

**That the Government of Canada significantly elevate Europe's status in its list of global trade and investment priority regions. A concerted and effective initiative to augment our trade and investment with the countries comprising Europe and to deal more effectively with existing bilateral trade barriers and irritants is required as soon as possible.**

The Government already accords a high priority to Europe in its market development activities. Team Canada Inc departments undertake a total of over 400 European trade and investment related activities each year, among them trade missions, participation in trade shows and ministerial visits.

Team Canada Inc departments and agencies conduct an annual assessment of priority markets and sectors, and each of the 12 Trade Team Canada Sectors (TTCS) undertakes an annual review and priority market setting exercise in collaboration with the private sector. These evaluations determine the level of support given to trade and investment development efforts with Europe. The priority market lists differ from sector to sector, but Europe figures prominently in each of them. While European markets account for 5 of our top 10 export destinations, sometimes other regions of the world with lower export flows are given higher priority. This reflects in part the view that European markets for Canadian goods are established and mature, and that incremental promotional resources should therefore be directed to newer markets where entry challenges are often greater.

The Government of Canada holds semi-annual summits with the EU, and trade ministers meet formally at least twice a year as well. Both occasions permit the discussion of trade issues at the highest levels. These discussions are supplemented by regular meetings among officials. The mechanism the EU and Canada have established to manage their economic relations is unique in terms of the level and frequency of contact.

## RECTIFYING IMAGE PROBLEMS

### RECOMMENDATION 2:

**That the federal government, through the use of an effective information campaign, undertake a more concerted effort to communicate directly and effectively to European decision makers that rapid change in the structure of the Canadian economy has occurred. Europeans need to be informed that Canada has now evolved from being primarily a resource-based economy to one that encompasses many modern, knowledge-based industries.**

Information campaigns to bring a more contemporary image of Canada to Europeans are already being developed and executed. Branding Canada as an attractive destination for investment capital and technologies as well as a source of value-added goods and services is a high priority. Investment Partnerships Canada views Europe as a prime source of new investment capital and technologies and will extend its updated branding program to that continent.

The Department of Foreign Affairs and International Trade (DFAIT) is executing a public diplomacy strategy to highlight the 25th anniversary of Canada-EU relations. It presents Canada as a modern society and will target members of the European Council, members of the European Parliament, the media, NGOs and European investors. Projects also include visits by members of the European Parliament and conferences on a range of issues.

Missions abroad are developing marketing and communications strategies to reach a wider range of communities, including business, and are being trained in the use of new technologies, including the Internet, to increase the effectiveness and visibility of their full range of activities.

**RECOMMENDATION 3:**

**That this revamped "rebranding" strategy, designed to reposition Canada's image abroad as a world leader in the new economy, make greater use of the resources of European companies having successful Canadian operations; Canadian firms with sizeable presence in Europe; incoming visits by journalists, especially those representing specialized newspapers and journals; student exchanges; images of the new Canadian reality displayed prominently at Canadian airports; and the Canadian flag.**

The Government of Canada is working closely with the private sector to present up-to-date information about the Canadian economy to key European decision makers. The Government will continue the Canadian Executive Speakers Program (CESP), which has supported nine programs whereby Canadian executives travelled to nine countries in Europe to deliver messages about Canada's knowledge-based economy to a total of over 300 European decision makers.

The Canada-Europe Round Table for Business (CERT) has Canadian and European firms among its members who typically have direct investments in the other jurisdiction. CERT is another instrument by which a more up-to-date image of Canada will be disseminated to key European decision makers.

In addition, around 25 European journalists will have visited selected Canadian industry clusters in 2001, which should lead to increased reporting about Canadian industrial capability in specialized journals.

Student exchanges are a key feature of the Canada-EU Higher Education and Training Program, which was launched in 1995 to foster educational and cultural links between Canada and the EU. Under the program, the Government of Canada and the European Commission support the development of international joint projects by consortia of Canadian and European universities, colleges, technical institutions and private sector partners. These projects aim at strengthening cooperation in post-secondary education, training and internship in a broad range of disciplines, namely through the joint development of innovative technology-mediated teaching materials, increased student mobility, as well as physical and virtual student exchange programs. More than 40 projects have been launched to date, involving over 50 post-secondary institutions in all regions of Canada and over 1500 Canadian and European students.



**RECOMMENDATION 4:**

**That, in collaboration with the provinces, Canadian tourism promotion campaigns in Europe be reassessed and modified, where applicable, to include information on the rapid transformation that has occurred in Canada's economic structure and the lifestyle and high quality of life that Canadian knowledge workers enjoy. Greater targeting of Canada's cities as business and tourist destinations should be considered.**

In 2000, the Canadian Tourism Commission (CTC) completed a major review of its branding strategy, which included consumer testing in Canada, the United States, the United Kingdom, France, Germany and Japan. Launched in February 2001, the new brand concept and tag line, "Discover our true nature," positions Canada as an exciting, diverse, four-season destination. It was developed to increase awareness of travel experiences, products and destinations available in Canada, including large and exciting cities, abundant natural beauty, top-rank entertainment, multicultural traditions, high-tech industries and well-developed infrastructure. Consumer testing clearly indicated that Europeans see Canada as a destination where they can get close to the natural world and enjoy experiences that are rare in their own countries, such as adventure and eco tourism and Aboriginal destinations. However, the CTC's new branding goes beyond these aspects and, by portraying Canada's major cities, cultural attractions, festivals and events, establishes a varied and sophisticated image of Canada.

**RECOMMENDATION 5:**

**That the federal government review the needs of Canadian business, especially those of small and medium-sized firms, for accurate and up-to-date information about individual European country markets as well as the policies and practices of the integrated European Union. Remedial steps should be taken to respond to information deficiencies.**

The Government devotes significant effort to determine the needs of Canadian small and medium-sized enterprises (SMEs), as well as to provide them with the most up-to-date market information. Canada Business Service Centres (CBSC) are the first point of contact for companies interested in learning more about export opportunities. International Trade Centres (ITCs) are located in each province. They provide extensive advice, counselling and export readiness training for SMEs. The regional offices of some Team Canada Inc partners (Agriculture and Agri-Food Canada, Canadian Heritage, Industry Canada and others) as well as regionally based agencies such as the Atlantic Canada Opportunities Agency, Canada Economic Development for Quebec Regions, and Western Economic Diversification also provide assistance of this nature. SMEs can also contact trade commissioners and commercial officers in over 130 offices around the world for specific advice about particular markets. Each officer's

electronic mail address is posted on the DFAIT Web site. On a wider scale, Canadian industry communicates regularly with Team Canada Inc partners through the Trade Team Canada Sectors (TTCS) system. In short, the Government is well acquainted with, and responsive to, the needs of Canadian SMEs.

Further, there are currently a variety of complimentary market information delivery instruments in place to help SMEs determine their market of choice, such as:

- DFAIT's Market Research Centre, which posts a large stock of market reports on the InfoExport Web site;
- CanadExport, which publishes up-to-date information bi-weekly in its print version (mailed to over 75 000 business addresses) and daily in its Web version;
- the International Business Opportunities Centre (IBOC), which provides Canadian companies with information about upcoming Requests for Proposals and calls for tender bids;
- the Industry Canada Strategis Web site;
- Web sites developed by some of the Trade Team Canada Sectors (TTCS), such as Electrical Power and Generation, in which password-protected competitive intelligence is regularly posted; and
- WIN Exports, which is a database that allows every participating Canadian company to indicate its interest in particular markets.

The Trade Commissioner Service (TCS) has an ongoing mechanism for identifying the changing needs of Canadian small and medium-sized enterprises. The SME Task Force on International Trade meets twice a year to provide advice to the Minister for International Trade on how the Government can best respond to the international business development needs of Canadian SMEs.

One of the results of this exchange with SMEs is the development of a customized electronic information service known as the Virtual Trade Commissioner. When this service is fully operational in 2002, companies will be able to access market reports, business leads, contacts, articles prepared by trade experts, and information on trade events and visits in an easy-to-use format according to particular market priorities. The plan is to include information on EU policies and practices relevant to market access.

## PROMOTING TRADE AND INVESTMENT WITH EUROPE

### RECOMMENDATION 6:

**That the federal government provide a boost to DFAIT's direct trade and investment promotion budget in Europe. These increased resources should be targeted towards expanding Canadian involvement in European trade fairs, thereby enhancing Canada's image and presence within the European business community, and to a broader, more extensive search for additional investment throughout Europe.**

Over 400 trade and investment activities in Europe receive federal government support each year despite reduced program budgets. The nature of Government support for European activities has changed, but not the commitment to excellence.

Team Canada Inc departments have developed measures such as the "New Approach" to minimize the amount of time spent responding to requests of a routine nature and to maximize the amount of time dedicated to providing high-value services. Electronic service delivery systems were also developed. For example, Government Web sites post basic market information to give exporters a general sense of the target markets. These mechanisms enable Canadian SMEs to access general information instantly without having to contact personnel at posts abroad, where resources are better deployed in other activities. Standardized core services have been developed so Canadian SMEs can now get the assistance they have said they wanted: market intelligence, face-to-face briefings, market assessment, assistance identifying key local contacts, visit information, and assistance with troubleshooting. Participation in trade fairs is still an important element of doing business in Europe, however, and the Government is committed to participating in world-leading trade fairs in Europe in cases where there is a large presence of Canadian companies.

In short, although a reduction in resources has led to challenges, the Government has responded by focusing on the private sector's expressed wish for value-added services such as market intelligence and trade leads.

**RECOMMENDATION 7:**

**That the Government of Canada rededicate itself at home to generating interest on the part of small and medium-sized Canadian companies in participating in European markets, more adequately preparing "new to Europe" firms for European export opportunities, and following up with these corporations once they are established overseas. More funds and personnel should be allocated to meet these objectives.**

The Government recognizes the opportunities for Canadian SMEs in the European market and through a variety of programs is committed to generating SME interest in that market, recruiting Canadian companies to participate in trade activities there, and preparing new exporters for market entry. For example:

7. An extensive range of counselling and exporter education services is provided to SMEs, as described earlier (see response to Recommendation 5).
8. In Canada, outreach activities by federal ministers, heads of mission, and trade commissioners and commercial officers from our posts in Europe have been an effective way of drawing attention to opportunities in European markets. These outreach activities also provide an opportunity for regular exchanges of information with provincial officials.
9. A regular two-page section dedicated to promoting European markets in the bi-weekly CanadExport print publication (with 300 000 readers) and the on-line site has been instrumental in generating interest in numerous European opportunities.
10. Seven 16-page CanadExport Supplements dealing with Italy, Russia, the United Kingdom, Ireland, Germany, Spain, Portugal, Greece and Turkey have been published.
11. High-level activities such as the Canada-France, Canada-Italy, Canada-Turkey and Canada-Greece Investment and Trade Forums have been initiated by Team Canada Inc partners.
12. Team Canada Inc partners and posts abroad provide support and value-added services at major international trade fairs in Europe.

13. The On-Line Trade Mission (OLTM) and the Virtual Trade Mission (VTM) Web sites have been developed to simplify and standardize the process of preparing firms to export and to introduce them to specific markets. Of the eight trade missions that have taken advantage of the OLTM resource to date, six have been to European destinations, reflecting the crucial role these electronic services play for Canadian SMEs interested in Europe.

**RECOMMENDATION 8:**

**That the federal government review and modify its export promotion activities and resources to ensure that complementarity between its activities and those of the provinces is achieved, that closer links with Canadian business organizations are forged, and that adequate recruitment of foreign officers with the necessary private sector skills to help open European markets to Canadian firms is undertaken.**

The Government agrees that coordination of trade promotion activities with the provinces is key to the export success of Canadian companies and has put in place several mechanisms to address this.

Team Canada Inc groups together 23 federal departments and agencies with a trade development mandate. The Regional Trade Networks comprise the provinces, DFAIT, Industry Canada and regional development agencies such as the Atlantic Canada Opportunities Agency. Team Canada Inc already includes features such as a single 1-888 number that provides access to virtually all federal, as well as most provincial, trade assistance programs. The 12 Trade Team Canada Sectors (TTCS) have private sector as well as federal and provincial participation, and are co-chaired by private sector representatives. They meet regularly to set objectives and priorities, and to determine what resources are available to meet the agreed objectives. In short, effective mechanisms are already in place to ensure a complementary approach among various federal departments and provincial governments, as well as the private sector. These mechanisms include ongoing reviews of export activity plans and resource allocations.

Co-location of provincial officers in Canada's missions in Europe is a means of enhancing federal and provincial efforts. For example, Ontario and Alberta officers will soon be co-located with the Canadian High Commission in London and the Canadian Consulate in Munich.

The Government maintains close ties to major business associations in Canada. It has also been active in supporting the launch of the Canada-Europe Round Table for Business (CERT), which aims to establish closer links between Canadian and European firms.

Recruitment and retention of highly qualified foreign service officers, including trade commissioners with private sector experience, particularly in "new economy" sectors, remain top priorities for DFAIT. These criteria are also key considerations in the recruitment of local commercial officers who bring with them in-depth knowledge of local market conditions.

**RECOMMENDATION 9:**

**That an Investment Team Canada, integrating the resources of relevant federal departments and agencies, other governments in Canada and the private sector, and equipped with a mandate to promote foreign investment in Canada, be established as soon as is feasible. A national strategy to attract investment from Europe and elsewhere should be developed with an eye to removing existing overlap and duplication between the various levels of government. As part of this strategy, emphasis should also be placed on encouraging and facilitating reinvestment once foreign companies have been established in Canada.**

The Investment Team Canada concept raised by the Recommendation refers to the Federal Investment Development Program, which takes the kind of inclusive approach involving all levels of government that the Report advocates.

Investment Partnerships Canada is supported jointly by Industry Canada and DFAIT. It provides the coordinating role for the Federal Investment Development Program.

Investment Partnerships Canada has established a strategy for investment attraction in which Europe is identified as one of Canada's primary targets for the attraction of foreign direct investment.

**RECOMMENDATION 10:**

**That the federal government make every possible effort to ensure that Europe is reinstated as a priority destination for future Team Canada missions, and that both trade and investment promotion are designated as key objectives for such missions.**

In the Speech from the Throne of January 2001, the Government announced that it would "launch Investment Team Canada missions to the United States and Europe."

## ACHIEVING FREE TRADE WITH EUROPE

### **RECOMMENDATION 11:**

**That the Government of Canada rapidly develop a business case for a free trade agreement with the EU and undertake an aggressive campaign both in Canada and in Europe to promote its findings to key decision makers. In this promotional campaign, every effort should be made to seek out and utilize champions of transatlantic free trade.**

The Department of Foreign Affairs and International Trade undertook a study to determine the effects of tariff elimination on Canada-EU trade. Minister Pettigrew presented this study to European Commissioner for Trade Pascal Lamy at the trade ministers' meeting held at the Canada-EU Summit in Stockholm on June 21. The tariff elimination study provides only part of the picture. Non-tariff barriers, investment, services, and rules of origin were not part of the study and are key areas for further analysis. A detailed examination of trade in agricultural products would also have to be undertaken. The potential impact of a Canada-EU free trade agreement on NAFTA and the WTO would also be an area for further examination. This broader analysis — the business case, as it were — will be supplemented by a process of consultation with the private sector, provincial and territorial governments, and other interested parties in order to establish the overall balance of Canadian interests.

If further study and consultation were to reveal that a Canada-EU free trade agreement was in Canada's interests, a campaign directed toward key European decision makers, seeking their support for negotiations as proposed by the Committee, would be considered.

At the same time as Canada is working toward improving our bilateral trading relationship with the EU, we are actively seeking the launch of new multilateral trade negotiations.

**RECOMMENDATION 12:**

**That the federal government rededicate itself to concluding a "first generation" free trade agreement with the European Free Trade Association (EFTA) as soon as possible and then enter into further negotiation so as to finalize a broader "second generation" accord by the end of December 2002.**

The Canada-EFTA free trade agreement is intended to be a "first generation" trade agreement, focusing on the elimination of industrial tariffs, some liberalization for agriculture, and new cooperation in the areas of trade facilitation and competition. Since negotiations began in October 1998, agreement has been reached on most issues and there is a framework for a deal. The Government of Canada remains committed to bringing the EFTA negotiations to a successful conclusion in a manner that fully respects Canadian interests.

The scope of the Canada-EFTA negotiations do not currently include commitments in the areas of services, investment, government procurement or intellectual property — issue areas normally associated with a "second generation" agreement. Once negotiation of a "first generation" agreement has been concluded, consideration could be given to pursuing a "second generation" agreement with EFTA. The decision to proceed in this manner would need to take into account the advantages of pursuing these issue areas in either a regional (i.e. Canada-EFTA free trade agreement) or multilateral forum. Consideration might also be given to seeking labour and environmental cooperation agreements in parallel with a "second generation" agreement.



## MAKING PROGRESS AT THE WTO

### RECOMMENDATION 13:

**That the Government of Canada accelerate efforts to seek consensus, both within the Quad group of countries and between developed and developing countries, on a broadly based but manageable World Trade Organization (WTO) negotiating agenda for the next round of multilateral trade liberalization.**

WTO agreements underpin Canada's trade with the EU, and improvements to those agreements would have a commensurate effect on Canada-EU trade, including agricultural trade.

In that light, the Government of Canada is lending its support toward a consensus among WTO Members to launch expanded multilateral trade negotiations at the WTO's Fourth Ministerial Conference at Doha, Qatar, November 9 to 13, 2001. It is working intensively within the Quad (United States, Japan, EU and Canada) and with a wide range of developed and developing countries to develop a broad and balanced negotiating agenda that will benefit all WTO Members.

The Minister for International Trade participated in a key meeting of trade ministers from influential WTO member governments in Mexico City, August 31 to September 1, 2001. Ministers at the meeting discussed a broad range of issues and agreed to accelerate efforts in Geneva through September and October to achieve progress by Doha.

Canada strongly supports a WTO negotiating agenda that provides for economic growth and sustainable development for developed and developing Members alike. Canada is optimistic that with the right mix of political will and pragmatism, Members can reach a consensus to launch new WTO negotiations at Doha.

### RECOMMENDATION 14:

**That Canada, in conjunction with like-minded countries such as those represented by the EU, encourage World Trade Organization Members to create a more efficient decision-making procedure within the WTO while respecting individual countries' sovereignty, the need for transparency and the need for consensus building within the institution.**

Canada continues to work with like-minded WTO Members, including the EU, to ensure that WTO decision making is as efficient as possible. In WTO General Council discussions over the last two years, a wide range of developed and developing country

Members have expressed firm support for the WTO's core principle of consensus-based decision making. To improve the efficiency of decision making on this basis, Members and the WTO Secretariat are making a concerted effort to ensure that the internal consultations that precede most decisions by the Membership are as transparent and inclusive as possible. Since the third WTO Ministerial in Seattle, these efforts have been very successful in addressing the concerns expressed by some Members about the WTO's decision-making procedures.

**RECOMMENDATION 15:**

**That Canada aggressively begin a global campaign to launch an in-depth examination of the world's trade and development organizations, with a view to fashioning a more effective, cohesive and efficient network of global institutions. Where institutions have outlived their usefulness, they should be dismantled.**

The Government is strongly committed to improving the effectiveness of international efforts to support development and is convinced of the importance of the relationship between trade and development. Canada has, therefore, played a leading role in the emergence of a general international consensus that coherence must be improved among the trade and development efforts of international organizations including the World Bank, International Monetary Fund, WTO and United Nations agencies. These efforts have included increased emphasis on trade-related capacity building in development assistance programs and an increased awareness of the developmental implications of trade rules.

The complex relationships among the international organizations involved in trade and development are evolving in response to an increased awareness of the importance of both coherence and effectiveness. Canada is participating fully as a member of the organizations involved and is exercising leadership through Canadian chairmanship of the G8 and the G20. There is, however, little international appetite at present for engaging directly the enormously difficult and controversial issues that would be involved in a comprehensive and fundamental re-examination of the structure of the multilateral system. An "evolutionary" approach, such as the one the Canadian government is pursuing, is therefore more likely to lead to meaningful improvements in the system.

**RECOMMENDATION 16:**

**That the Government of Canada encourage WTO member states to undertake an extensive examination of alternatives to the existing dispute settlement mechanism to render it more effective. Such issues as the need for time limits for WTO compliance and the usefulness of giving greater priority to compensation as opposed to retaliation as a form of settlement should be given serious consideration.**

Canada is firmly committed to a rules-based multilateral trading system that provides an integrated and effective framework within which to engage and manage international trade relations and the inevitable trade disputes that arise. In our view, the dispute settlement process established in the WTO Dispute Settlement Understanding (DSU) is a key element of this multilateral trading system framework. It promotes adherence to the rules negotiated by WTO Members and reduces the scope for unilateral trade actions.

Although the dispute settlement process of the WTO is working well, the Government agrees with the Committee that it can be made more effective. To this end, Canada is part of a group of 14 WTO Members that has submitted a proposal to amend the DSU in certain key areas. In particular, the proposal seeks improvements to the rules relating to implementation and retaliation, where Canada and other Members believe there is a need for greater clarity. Canada will continue to work with the co-sponsors of the proposal and with other WTO Members to achieve a consensus on modifications to the DSU. This proposal does not exhaust the range of possible improvements, but we believe it would address some of the most pressing issues.

Finally, the Government strongly believes that the best way to resolve trade disputes is through good-faith consultation with a view to reaching agreement to settle the matter at issue. It is only when these efforts fail that Members should turn to the formal dispute settlement procedures of the DSU. We note that under the DSU rules, even at this juncture, efforts to reach an agreed settlement need not be abandoned. It is in this context that Canada supports the efforts of the WTO Director-General to better inform Members of the procedures that currently exist in the DSU regarding good offices and dispute conciliation or mediation services that can be provided by the Director-General.



## STRENGTHENING OFFICIAL TRANSATLANTIC LINKS

### **RECOMMENDATION 17:**

**That the federal government redouble its efforts to expand the Canada-EU bilateral relationship. Possible measures to be considered within the European Union-Canada Trade Initiative (ECTI) framework include: negotiating mutual recognition agreements in a larger number of industrial sectors, making progress in the area of trade facilitation, and establishing improved bilateral mechanisms to resolve trade irritants. The formation of a bilateral group under ECTI to systematically address regulatory barriers to Canada-EU trade should be considered.**

The Government of Canada continues to regard the EU-Canada Trade Initiative as a valuable instrument to guide our efforts to reduce barriers to trade and investment. In setting specific goals and subjecting these to review every six months at Canada-EU summits, ECTI can play a helpful role by offering the political impetus required to resolve bilateral issues.

At the Joint Cooperation Committee meeting held in November 2000, Canada tabled a number of new objectives for consideration as ECTI goals. In subsequent discussions, the European Commission expressed a preference to first survey respective business communities to determine their perceptions of priorities with respect to trade and investment barriers. ECTI objectives would then be modified on the basis of the results of these surveys. This approach was seen as being particularly relevant with respect to regulatory barriers, as it would help identify those that are of special concern to exporters. Given the resource demands associated with negotiating new annexes for established mutual recognition agreements on conformity assessment bodies, for example, or taking the further step of harmonizing standards, Canada and the EU share the view that a prioritization exercise based on the business survey would allow both sides to take the most efficient approach. We are undertaking such a survey.

**RECOMMENDATION 18:**

**That the federal government increase its support of, and actively encourage business participation in, the Canada-Europe Round Table for Business (CERT) initiative. The Government should also recommend to CERT that it review its membership fee structure in order to stimulate greater participation by small and medium-sized companies.**

The Government of Canada has for some time recognized the potential contribution of a business forum to the Canada-EU relationship. The 1996 Action Plan set out this need, and when CERT was initiated in 1999 the Government actively encouraged and supported its development. The Minister for International Trade has participated in CERT events and has met with its members in both Ottawa and Brussels. DFAIT has funded an intern for the CERT office in Brussels for the last two years and is extending this support for a further year. The Honourable Roy MacLaren, a former Canadian trade minister, was chosen as CERT's Canadian chairman earlier in the year.

The Government has encouraged CERT to structure its membership fees to accommodate small and medium-sized enterprises. Under CERT's current fee structure, the fee for SMEs is \$1500, in contrast to \$15 000 for regular corporate members.

## LOWERING EUROPEAN TRADE BARRIERS

### **RECOMMENDATION 19:**

**That the Government of Canada attempt to ensure that any support provided by the EU to preserve the multifunctionality of agriculture not be trade distorting. The Government should work with the EU to arrive at an international definition of the multifunctionality concept.**

Canada's initial negotiating position seeks to substantially reduce or eliminate the level of trade- and production-distorting support provided to agriculture. When countries identify non-trade objectives for their agricultural sector, including preservation of the environment, rural development or rural employment, these are often termed "multifunctional" objectives. Canada recognizes the EU's interest in addressing non-trade concerns, but has made clear that the EU and other countries should use targeted, transparent, decoupled policies to address these concerns in ways that do not distort production and trade.

### **RECOMMENDATION 20:**

**That in the WTO negotiations on agriculture, Canada not deviate substantially from its initial negotiating objective of (a) removing EU agricultural export subsidies; (b) significantly enhancing access by Canadian agricultural producers to the European market; and (c) ensuring that the EU's production subsidies are not trade distorting.**

Following an extensive consultation process with agri-food stakeholders, the Government of Canada announced its initial negotiating position for the WTO agriculture negotiations in August 1999. The position aims to level the international playing field for all agri-food producers. It calls for the complete elimination of export subsidies, maximum reductions or elimination of production-distorting and trade-distorting support, including an overall limit on domestic support of all types, and real and substantial market access improvements for all agriculture and food products. This negotiating position has served, and will continue to serve, as the basis for Canada's approach in the WTO agriculture negotiations.

The achievement of Canada's negotiating objectives would result in the removal of EU agricultural export subsidies, significantly improved access to EU markets for Canadian exporters, and limits on the ability of EU production subsidies to distort trade.

**RECOMMENDATION 21:**

**That the Government of Canada work diligently within the international community to achieve international agreement on the definitions of genetically modified (GM) or biotech products, science-based standards of producing GM products that the international community can recognize, and the labelling rules that are required.**

The Government is working across a range of international forums to develop a science- and rules-based international regulatory framework for products of biotechnology. For example, the Cartagena Protocol on Biosafety has already established definitions for "living modified organisms" and "modern biotechnology." The joint Food and Agriculture Organization and World Health Organization body, the Codex Alimentarius Commission, is advancing discussions toward an international agreement on the definitions and standards for food products derived from biotechnology. Canada has taken a leading role in the Codex Committee on Food Labelling to develop internationally agreed voluntary guidelines for the labelling of "foods obtained through certain techniques of genetic modification/genetic engineering."

**RECOMMENDATION 22:**

**That the Government of Canada, in conjunction with the provinces, seize every possible opportunity to enhance cooperation between Canada and the EU on regulatory policy in the areas of health, safety, environment, and technical standards, and share Canada's regulatory experience with European decision makers and, where appropriate, the public at large. These efforts should be directed through Canada's overseas posts, industry associations active in Europe, and Canadian participation in international organizations in which standards are discussed, developed and monitored.**

The Government agrees that Canada should seize every possible opportunity to enhance cooperation with the EU on regulatory policy and other issues in the areas of health, safety and environmental and technical standards. To build mutual confidence and promote the common understanding required for cooperation, Canadian officials engage their European Commission counterparts on a wide range of regulatory matters in both bilateral and multilateral forums. Bilaterally, discussions take place under the Canada-EU Veterinary Agreement and the Canada-EU Mutual Recognition Agreement. A Canada-EU biotechnology dialogue was initiated in 1999, bringing together regulators in this field. High-level environmental consultations have been held annually. On the multilateral front, discussions are ongoing in a range of sectors (e.g. chemicals, pharmaceuticals, medical devices, foodstuffs). All of these contacts provide Canadian



regulators with the opportunity to meet on a regular basis with their European counterparts, which promotes better understanding of each other's systems.

In addition, three years ago Health Canada established a position in Brussels in response to EU interest in the Canadian system and to promote Canadian public health policy — both health protection and health promotion — with the EU. A joint work program is being developed as part of an overall Canada-EU health dialogue, which is expected to be finalized this fall. Furthermore, in September 2001, a Canadian Food Inspection Agency (CFIA) officer began work assignments in the Canadian mission to the EU in Brussels. The goals of this initiative are to increase CFIA cooperation with the European Commission at the technical level, to strengthen contacts, and to advance some of the complex issues faced by the CFIA and the European Commission's Health and Consumer Protection Director (SANCO).

With respect to standards, Canada and Europe are active players in the international standards development bodies such as the International Organization for Standardization and the International Electrotechnical Commission. Canada has some 3000 volunteers participating in over 400 international technical committees, subcommittees and working groups. These volunteers disseminate information about the Canadian system internationally, including to their European counterparts, which leads to better understanding of and potential support for Canadian approaches.

The Organization for Economic Cooperation and Development (OECD) Regulatory Policy Review provides an additional forum for sharing Canada's regulatory experience with European decision makers. This review, which is currently underway, is intended to highlight regulatory best practices.

**RECOMMENDATION 23:**

**That Canada and the EU seek common understanding on the meaning of the precautionary approach and the manner in which it is to be applied to regulatory practices. Ultimately, such an understanding should be arrived at within a multilateral setting.**

The Government is engaging the European Commission in a process designed to promote a better understanding of our respective approaches to precaution within regulatory systems. The Government has been closely following the discussion within the European Union of the "precautionary approach" or "principle," particularly in light of mounting public pressures in Europe after a number of food safety crises and regulatory failures. In July 2000, Canada submitted a series of questions to the European Commission for clarification of their initial "Communication on the Precautionary Principle," to which the Commission responded in May 2001. In parallel, the Government has been reviewing its own approach to precaution in the context of regulating for health, safety, environmental protection and resource management.

The Government expects to release a discussion paper entitled "A Canadian Perspective on the Precautionary Approach/Principle." Exercising precaution is an inherent part of Canadian regulatory policy and practice in a wide range of areas, including environmental protection, health, food safety, and resource management. The Government will be actively seeking the views of Canadians on the matters raised in the paper. As well, the Government will make the paper widely available internationally and will provide a copy directly to the European Commission. The Government will consider comments from international sources as well as from Canadians. Canadian officials intend to meet directly with Commission officials to compare their approaches to the issues raised concerning the exercise of precaution in situations of threats of serious or irreversible harm and significant scientific uncertainty. In light of the planned consultations in Canada, coupled with an international community that does not appear ready to move beyond the definition of the precautionary approach contained in Principle 15 of the Rio Declaration on Environment and Development<sup>1</sup>, the Government believes that the best approach is to continue discussions of the issues in appropriate international forums as well as bilaterally with our key trading partners.

---

<sup>1</sup> "In order to protect the environment, the precautionary approach shall be widely applied by States according to their capabilities. Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation."

## DEALING WITH EU ENLARGEMENT

### **RECOMMENDATION 24:**

**That the federal government make public any assessment of the probable positive and negative effects of EU enlargement on the Canadian economy. On the basis of these findings, the Government should formulate an effective initial strategy to deal with the upcoming enlargement. The issue of potential compensation for forgone market access should also be explored, and timely and targeted information on the enlarged European market provided to Canadian businesses.**

The Department of Foreign Affairs and International Trade is examining the impact of EU enlargement on Canada's trade and investment interests. Agriculture and Agri-Food Canada is also engaged in a preliminary examination of the impact that EU enlargement may have on Canada's agricultural exports.

With respect to compensation issues, these are negotiated under WTO rules on the basis of trade levels in specific products during the three years immediately preceding accession. It is anticipated that the first new members will join the EU in 2004. Accordingly, compensation negotiations will likely be based on levels of bilateral trade over the years 2001-2003, and a detailed analysis of compensation prospects will be made at a later date when the relevant trade data are available. The Government will make public its overall assessment of the economic effects of the EU's enlargement on the Canadian economy when the evolving situation becomes clearer.

### **RECOMMENDATION 25:**

**That in order to significantly strengthen bilateral economic relations between Central and Eastern European countries and Canada while assisting our high-technology community, the federal government, through multilateral organizations, encourage and assist these countries in developing and especially enforcing intellectual property rights in the region.**

The Government of Canada is committed to ensuring that all Members of the World Trade Organization comply with the standards for intellectual property protection that are prescribed in the WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs). As part of this obligation, Canada is already providing technical and financial assistance, including the training of personnel, to many WTO developing-country Members to assist them in bringing their intellectual property laws and regulations into compliance with TRIPs.

Canada also has an extensive technical assistance program for the countries of Central and East Europe, most of whom are still in the process of implementing their TRIPs obligations. As a result, some of this technical assistance has already been earmarked for developing intellectual property regimes. These efforts are likely to continue in the years ahead.

The Canadian government also actively participates in the TRIPs Council National Implementation Review Process, which includes assessing the legislation of individual developing members.