

Initial Strategic Environmental Assessment Report of the Free Trade Area of the Americas Negotiations

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Executive Summary

The Government of Canada is committed to sustainable development. Mutually supportive trade and environmental policies can contribute to this goal. Environmental assessments of trade negotiations is one mechanism for doing so. The findings of this Initial Environmental Assessment indicate that the environmental impacts on Canada of the Free Trade Area of the Americas (FTAA) negotiations are likely to be minimal.

In keeping with a 1999 Cabinet Directive in the Environmental Assessment of Policy, Plan, and Program Proposals, Canada is conducting an environmental assessment of the Free Trade Area of the Americas (FTAA) negotiations. This work is being guided by the *Framework for Conducting Environmental Assessments of Trade Negotiations*, which provides an analytical process for identifying and addressing likely and significant environmental impacts. The environmental assessment (EA) is intended to help trade negotiators understand the environmental implications of trade policy and to assist them in integrating environmental considerations as trade negotiations progress. Its principal aim is to scope out the main environmental issues that might arise as a result, and which will be given more rigorous analysis in the third and final stages of the process (Draft and Final EAs).

Following the four-staged analytical methodology outlined in the *Framework*, the Initial EA examines the coverage of negotiations and their overall economic relevance in the Canadian context. It identifies the *likely* environmental impacts (positive and negative) on Canada, if any, of trade-induced economic and regulatory changes, and assesses their *significance*. The Initial EA also briefly identifies mitigation and/or enhancement measures. The Initial EA takes into account the fact that Canada currently has in place a framework of policies and legislation for the protection of the environment. It does not address the potential environmental impacts in other FTAA countries.

In undertaking the EA, we recognize that economic growth will continue to influence agricultural and industrial activity, irrespective of Canadian objectives to liberalize or take action in a certain area. We also recognize that trade liberalization outside the FTAA context will continue through the current World Trade Organisation negotiations, as well as Canada's regional and bilateral free trade agreements and negotiations. While we realize the challenge in isolating the incremental economic effects attributable to trade liberalization *per se*, the EA will focus only on the economic activities and trade policy changes resulting from the anticipated *marginal* liberalization of trade through the FTAA negotiations. The effects on the development of policy instruments at the domestic level will also be analysed.

The Initial EA takes into account the fact that Canada currently has in place a framework of policies and legislation for the protection of the environment. It is not anticipated that these will be affected by the FTAA. Canada will retain the right to maintain strong environmental policies and regulations in the FTAA negotiations. Based on the Initial EA, the outcome of the FTAA negotiations will not adversely affect Canada's right to maintain strong environmental policies and regulations.

The current analysis includes the nine negotiating groups set out in the FTAA negotiations: market access; agriculture; services; government procurement; investment; competition policy; dispute settlement; intellectual property rights; and subsidies, anti-dumping and countervailing duties.

Findings of the Initial Environmental Assessment

The analysis performed for this Initial EA suggests that, in the aggregate, any effects that the FTAA negotiations may have on the Canadian environment are likely to be minimal due to one or a combination of the following reasons: (1) further trade liberalisation affects only a small proportion of Canada's trade (the bulk already being subject to NAFTA and other regional free trade agreements); (2) federal and provincial environmental legislation that can mitigate negative effects is, or will soon be, in place; (3) some negotiations seek to create a rules-based trading system, which will facilitate trade by creating a consistent international framework in which to conduct trade, but may not directly translate into increased production or trade.

Market Access

The Market Access section looks at the impacts within Canada of the potential increase of trade in non-agricultural industrial goods resulting from the FTAA, excluding countries with which Canada already enjoys preferential market access. In order to predict what effects the FTAA might have on the Canadian economy, the top 25 industrial products exported to and imported from the said countries were analysed. A number of these products already either enter the target markets or enter Canada, respectively, with low or no tariffs, and so little change is anticipated as a result of the FTAA. Where tariffs may be eliminated, competition from other countries in the FTAA is likely to dampen any potential economic effects on Canada. Any localised negative or positive environmental impact as a result of increased production of industrial goods is likely to be mitigated or enhanced, respectively, by existing legislation, practices, or policies.

Agriculture

The Agriculture section also excludes from its analysis the countries with which Canada already enjoys preferential market access. The countries analysed represent a small proportion of the global market for Canadian agricultural and agri-food products, but there is the potential to improve market access, as several key products face high tariffs in some countries. However, production levels are not likely to be significantly affected, as the impact on international prices is expected to be minimal. Agricultural imports are largely complementary and non-competing tropical products which enter Canada duty-free. Canada's existing environmental legislation, along with the new Agricultural Policy Framework, offers a variety of practices to mitigate or enhance any negative or positive environmental effects, respectively.

Government Procurement

Government procurement negotiations are likely to increase access for Canadian companies to foreign government markets, but as Canada's largest government procurement market, the U.S., is already covered under NAFTA, economic and environmental effects are anticipated to be limited.

Investment

Canadian foreign direct investment abroad in non-NAFTA countries has grown quickly in the last decade, but investment from non-NAFTA countries in Canada is still limited. It is not anticipated that the FTAA will significantly increase investment in Canada. As a result, there will be little environmental impact on

Canada. In any investor protection provisions, Canada will preserve its ability to regulate in the public interest.

Services

Services is one of the fastest growing sectors of the Canadian economy. The FTAA offers the possibility to increase Canada's trade in services by creating a regulatory framework. As the negotiations are at an early phase, it is difficult to anticipate the likely economic and environmental impacts of the services negotiations. Increased trade in services may affect the environment through the consumption of resources necessary for the everyday functioning of an office, such as paper and electricity. Various conservation programs, such as recycling, can help reduce the negative environmental effects of the FTAA provisions on services.

Competition Policy; Intellectual Property Rights; Dispute Settlement; and Subsidies, Anti-Dumping and Countervailing Duties

The four sections on Competition Policy; Intellectual Property Rights; Dispute Settlement; and Subsidies, Anti-Dumping and Countervailing Duties are not intended to directly increase trade within the FTAA. Rather, the negotiations on these subjects will result in a consistent set of rules or policy framework across the FTAA to help create certainty in the international market and facilitate trade between countries. As they are not expected to have a direct economic impact, no significant environmental impact is anticipated as a result of these negotiations. Any significant changes to trade rules will be reflected in the Draft EA.

1. Introduction

1. The proposed Free Trade Area of the Americas (FTAA) is an integral part of the larger Summit of the Americas process. Canada was one of 34 democratic countries of the Western Hemisphere¹ that launched negotiations for the FTAA at the Santiago Summit in 1998. The FTAA process is based on the belief that the countries of the Western Hemisphere can work together more effectively on *every* front -- social, environmental, political and economic -- to promote democracy, sustainable growth and development. A potential FTAA will build on Canada's existing free trade ties with the United States, Mexico, Chile and Costa Rica, and its expanding links elsewhere in the hemisphere, allowing Canada to take full advantage of emerging hemispheric markets while facilitating a rules-based system, consistent with the provisions of the World Trade Organisation (WTO). The negotiations are to conclude by January 2005; when completed, the FTAA will be the world's largest free trade area.

2. As guided by the Federal Government's *1999 Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals*, an environmental assessment (EA) is being conducted to inform the negotiators and the public about what the likely environmental effects of the FTAA might be on Canada.

3. The Government of Canada released the *Framework for Conducting Environmental Assessments of Trade Negotiations* (the Framework) on February 5, 2001. This document outlines the process used to assess potential environmental impacts of proposed trade agreements. Findings of the EA are used to inform the negotiations, so that environmental considerations are integrated into the policy development stages. This process also helps to address public concerns regarding considerations of environmental factors during negotiation of trade agreements.

4. Although the FTAA negotiations were launched before the *1999 Cabinet Directive*, the Government of Canada committed to undertake an EA of the likely environmental impacts on Canada of the proposed creation of the FTAA. It is not intended to address the environmental impacts in the entire FTAA region.

5. An Environmental Assessment Committee has been formed to undertake the analysis as outlined in the Framework. Coordinated by the Department of Foreign Affairs and International Trade (DFAIT), the FTAA Environmental Assessment Committee includes representatives from many federal government departments and agencies. An important responsibility of the Environmental Assessment Committee will be the consideration of input from stakeholders in the formulation of the reports at each stage. Views from the provinces and territories, and stakeholders such as Sectoral Advisory Groups on International Trade (SAGITs), business groups and other non-governmental organizations, and the public will also be sought.²

6. The process of conducting an EA is being applied to the FTAA in accordance with the following steps:

¹ Antigua and Barbuda, Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, St. Vincent and the Grenadines, St. Lucia, St. Kitts and Nevis, Suriname, Trinidad and Tobago, Uruguay, the United States of America, and Venezuela.

² For further information, or to view the Guidelines on Implementing the *1999 Cabinet Directive*, please visit the Canadian Environmental Assessment Agency's website at: www.acee-ceaa.gc.ca. For the full text of the Framework for Conducting Environmental Assessments of Trade Negotiations, please refer to: www.dfait-maeci.gc.ca/tna-nac/Environment-e.asp.

- The announcement of the intent to conduct an EA, which was published in a Canada Gazette notice on March 16, 2002;³
- The preparation of this Initial EA, meant to define the scope of the more rigorous quantitative analysis to be carried out in the next stage;
- The preparation of a Draft EA, which will carry out an in depth analysis of the issues raised in the Initial EA; and
- The preparation of a Final EA, which will identify any notable divergence from the Draft EA, subsequent analysis undertaken, and the anticipated environmental implications.

7. This report documents the findings of the Initial EA. It consists of a cursory application of the analytical methodology designed in the Framework and acts as a screening process to identify the main environmental issues expected to arise as a result of the anticipated outcomes in a necessarily general context of this free trade initiative.

8. The Government of Canada welcomes comments on this report.⁴ Feedback on the analysis of the issues identified as likely to be economically significant as a result of the negotiations, and the preliminary assessment of the likelihood and significance of resultant environmental impacts, are especially welcome, as are comments on opportunities to mitigate any negative environmental impacts, and to enhance any positive effects. Comments on this report, as well as comments on anticipated economic and environmental effects on Canada as a result of the FTAA negotiations, will help determine the scope of the analysis to be conducted in the more detailed Draft EA.

2. Methodology

9. This report follows the EA process outlined by the Framework. Since the final outcome of the agreement is unknown, the assessment is more of a ‘forecasting’ or ‘anticipatory’ exercise, conducted with limited empirical data or certainty of negotiated trade policy outcomes. Such an analysis, despite its limitations, is useful and allows for the early clarification of national goals and priorities with respect to trade and environmental interests, and for the early identification of any mitigation and enhancement options that can be incorporated into the trade negotiations. Analysis is undertaken on a sectoral basis for each of the nine Negotiating Groups: market access; agriculture; services; government procurement; investment; competition policy; dispute settlement; intellectual property rights; and subsidies, anti-dumping and countervailing duties.

10. The analytical steps of this study are:

- **Identification of likely economic effects for Canada that will result from the trade agreement.** The purpose of this stage is to identify the trade liberalization activity of the agreement to be negotiated. This stage will first identify what the potential agreement would entail and the overall economic relevance of the agreement to Canada. This will help to determine the scope of analysis required for the environmental assessment and to prioritize the issues to be assessed.

³ To view the FTAA EA notice of intent, please visit: <http://www.dfait-maeci.gc.ca/tna-nac/FTAA-Gaz02-en.asp>

⁴ Contact information may be found on the inside jacket of this document.

- **Identification of likely environmental effects (both positive and negative) within Canada.** Once the economic effects of the trade agreement have been identified and characterized, the likely environmental impacts of such changes will be addressed. For the purpose of this strategic policy EA, “environment” refers to the components of the Earth, including land, water, air, including all layers of the atmosphere, all organic and inorganic matter and living organisms and the interacting natural systems that include components of the foregoing. It is important to note that this EA is intended to highlight only the anticipated environmental impacts to Canada as a result of the proposed FTAA, not to the entire FTAA region.
- **Assessment of the significance of any likely environmental effects identified.** Likely environmental impacts that are identified are then assessed as to their significance. Significance is determined by such criteria as frequency, duration, scope and magnitude of the impact, as well as the overall importance of the relationship between the environment and the sectors under study, among other criteria.
- **Identification of enhancement/mitigation options for any positive/negative environmental impacts to inform the negotiations.** The previous stages of analysis assess the likely and significant environmental impacts of the FTAA negotiations. In the Initial EA, this stage of the analysis is intended to identify, in a preliminary fashion, the policy options or actions to address negative impacts and to enhance positive impacts. This stage of the analysis is also used to identify the sectors or issues for further study in the next, more detailed stage of the EA, namely, the Draft EA.

11. Some important considerations are worth highlighting:

- First and foremost, it must be underscored that this is a *strategic* environmental assessment and is intended to inform the decision-making process as the agreement is being negotiated. Consequently, there is a fair degree of uncertainty associated with identifying likely economic and environmental impacts. FTAA negotiations are scheduled to be completed by January 2005. The agreement is to enter into force by December 2005, and some of its provisions may be phased-in over a 5 to 10 year period. The latest data available at the time of drafting (for 2000 and 2001) is used as a baseline for the economic analysis.
- Second, it is important to note that the FTAA will complement *existing* bilateral and sub-regional agreements such as the North American Free Trade Agreement (NAFTA), the Canada-Chile Free Trade Agreement (CCFTA) and the Canada-Costa-Rica Free Trade Agreement (CCRFTA),⁵ unless the parties agree otherwise. This means that Canada’s trade with the United States and Mexico, Chile and Costa Rica would continue to be governed by these agreements. Most of Canada’s trade is already duty free with our main trading partner, the United States, which accounts for 87.2% of our total merchandise exports to the world. While this trade will continue on a duty-free basis, it is

⁵ Canada is also currently negotiating an FTA with the CA-4 (El Salvador, Guatemala, Honduras and Nicaragua) and a separate EA is being conducted for these negotiations. Canada is also discussing the possibility of entering into separate free trade negotiations with the Caribbean Community and Common Market (CARICOM), the countries of the Andean Community, and the Dominican Republic. Should these progress into the negotiation phase, separate EAs will be conducted.

acknowledged that there may be modest trade diversion to other countries under the proposed FTAA, partly as a result of Canada's increased access to other markets, and partly due to the erosion of Canada's preferential treatment within the U.S. market, relative to other FTAA participants. Therefore, this analysis focuses on the new trade that may result from the proposed FTAA, while being cognizant of our total hemispheric trade.

- Third, the EA process for the FTAA will address only the environmental implications of trade liberalization directly resulting from the FTAA trade negotiations. Other strategic environmental assessments are being conducted on Canada's current trade negotiations in the region and world-wide. Environmental impacts resulting from changes in trade levels from each of these agreements will be addressed through their respective EA processes. Initial Environmental Assessments of the WTO negotiations, as well as of the Canada-Singapore and of the Canada-Central America Four negotiations, are available online --or will be shortly-- at <http://www.dfait-maeci.gc.ca/tna-nac/menu-en.asp>.
- Fourth, this is a new process. New methods of analysis will be applied as they are identified and developed.

3. Background

12. A Free Trade Area of the Americas was conceived in principle at the inaugural Summit of the Americas in Miami in 1994. Following several years of preparatory work, Leaders of the 34 participating countries launched the FTAA negotiations at the 1998 Santiago Summit. The FTAA was initiated in the context of the Summit's goal to achieve sustainable growth and development through greater economic integration and, as such, is intended to reinforce broader Summit objectives, such as improving human rights, promoting democratic development and eradicating poverty. As a result of this broad agenda, discussions will take place on the treatment of environmental issues within the FTAA context.

13. Nine FTAA Negotiating Groups were established when negotiations were launched in 1998, with mandates from Ministers to negotiate in specific substantive areas: market access; investment; services; government procurement; dispute settlement; agriculture; intellectual property rights; subsidies, anti-dumping and countervailing duties; and competition policy. In addition, a consultative group and two committees were created to address horizontal issues related to the negotiations: smaller economies; civil society and electronic commerce⁶; and, later, a committee to address general and institutional issues. The negotiating groups and these other FTAA entities meet regularly throughout the year. There is no dedicated FTAA entity for the environment.

14. Canada chaired the initial 18-month start-up phase of the trade negotiations from Spring 1998 until November 1999, which concluded with its hosting of the Fifth FTAA Trade Ministers Meeting in Toronto, November 3-4, 1999. Canada continues to play a significant role in the broader Summit process, having hosted the third Summit of the Americas in Quebec City in April 2001, where the FTAA was a key

⁶ The TNC decided to suspend temporarily the activities of the Joint Government-Private Sector Committee of Experts on Electronic Commerce (ECOM). The TNC can reactivate it when and how the TNC deems it necessary.

component, and is currently the Chair of the Negotiating Group on Dispute Settlement and the Vice Chair for the Negotiating Group on Subsidies, Anti-Dumping and Countervailing Duties.

15. The most recent FTAA Ministerial Meeting was held in Quito, Ecuador on November 1, 2002. Ministers responsible for trade in the Hemisphere agreed to release the second version of the consolidated draft negotiating texts. These texts can be found at: www.ftaa.gc.ca or www.zlea.gc.ca. Based largely on a proposal by Canada, Ministers also recognized for the first time the external context of the FTAA, specifically in respect of labour and the environment. With respect to the environment, the Ministers recognized the importance of strengthening national actions and cooperation throughout the hemisphere to ensure that the benefits of trade liberalization, the protection of the environment and human health are mutually supportive. This text provides Canada with a platform from which to pursue the interconnection between these issues in the future. However, there are yet no discussions on environmental issues at large in the FTAA negotiations but Canada will continue to promote and support the inclusion of such discussions in the FTAA process. Further information on the FTAA can be found at: www.ftaa-alca.org.

3.1 Objectives and Scope of the Negotiations

16. In addition to liberalizing trade in goods, the FTAA holds the potential to secure improved market access in the services sector and to establish stronger investment protection measures throughout the hemisphere. Some potential benefits for Canada include:

- **Elimination of tariffs on Canadian goods:** Most products from the Americas enter Canada duty-free, while many Canadian products face high tariffs in countries of the region. The FTAA would redress that imbalance. Eventual elimination of tariffs will encourage Canadian firms to expand into new markets and create jobs in these sectors in Canada;
- **Elimination of agricultural export subsidies:** Eliminating export subsidies in trade in agriculture products within the hemisphere would be an important first step toward eliminating them globally;
- **Protection for Canadian investment:** Canadians have invested approximately \$67 billion⁷ in the non-NAFTA countries of the Americas. Stable, secure investment rules encourage foreign investment, allowing Canadian firms to expand into new markets, rationalize production and to create jobs in Canada;
- **Opportunities in services:** Canada excels in providing key services for modern business, such as telecommunication services, financial services, and professional services. The FTAA will give Canada an opportunity to seek improved market access for Canadian service suppliers;
- **State-to-state dispute resolution system** similar to the WTO and NAFTA systems.

17. Canada was the first of the FTAA countries to release its negotiating positions and proposals, making them readily available to the public. In order to develop these positions, the Government of Canada carried out wide-ranging cross-country consultations with Canadians. These consultations have revealed that the

⁷ All figures in Canadian dollars

areas Canadians consider to be most important and most want protected are our health and public education. Canada's position regarding health and public education in the FTAA negotiations is clear and unequivocal: they are not negotiable. Canada will preserve its ability to maintain or establish regulations, administrative practices or other measures in sectors such as health, public education, social services, and culture. Canada will also maintain its ability to protect the Canadian environment.

3.2 Overview of Canada's Hemispheric Trade

18. The FTAA negotiations hold the potential to create the world's largest free trade area, with 830 million people and a combined GDP of about \$19.7 trillion.⁸ The Western Hemisphere is home to about 15% of the world's population, and largely because of the United States, it conducts more than 35% of the world's measured economic activity.

19. Canada's main trading partner, the United States, takes 87.2% of our total merchandise exports to the world. Add in the other hemispheric countries with which Canada has an FTA (Mexico, Chile and Costa Rica) and one can account for 97% of our hemispheric trade.⁹ It is important to stress at the outset that Canada's export and import trade with most of the FTAA countries (excluding Canada's NAFTA partners and Brazil, Venezuela, and Chile) has not yet reached a significant order of magnitude. Excluding Canada's NAFTA partners, the region is a \$3.8 billion export market for Canada, and it is the destination for approximately \$57.9 billion in Canadian direct investment (representing approximately 17.3% of Canada's total direct investment abroad).

3.2.1 Merchandise Exports

20. Canada's exports to regional groupings in the potential FTAA is led by the Andean Community¹⁰ accounting for \$1.5 billion in 2001 (from \$950 million in 1992)¹¹; followed by Mercosur¹² at \$1.1 billion (from \$770 million in 1992); CARICOM¹³ at \$401 million (from \$202 million in 1992); and the Central American Common Market¹⁴ at \$169 million (from \$91 million in 1992). Canadian exports to the FTAA countries, including NAFTA partners, represents 88.8% of Canada's total world exports. The top commodities that make up the majority of exports to the FTAA countries (excluding the United States) are wheat; machinery/mechanical appliances; vehicles/aircraft; wood pulp; and chemicals.

21. Liberalized trade throughout the hemisphere would increase opportunities for Canadian exporters in sectors where Canada has a comparative advantage, such as automotive products, machinery, paper, plastic goods, and agriculture and agri-food products, but where relatively high tariff barriers remain.

⁸ All data in text, tables and charts can be found in: DFAIT, 2002, *Opening Doors to the World: Canada's International Market Access Priorities 2002*, available at <http://www.dfait-maeci.gc.ca/tna-nac/cimap-e.asp>; Industry Canada's Trade Data On-line, and Statistics Canada's Canada's International Investment Position 2001, Catalogue no. 67-202 XIB/XPB, March 2002.

⁹ Except as indicated, all data in this section refer to Canadian merchandise trade on a customs basis. Data are taken from Statistics Canada, July 2002.

¹⁰ The Andean Community is a common market encompassing Bolivia, Colombia, Ecuador, Peru and Venezuela.

¹¹ Data from Industry Canada, Trade Data Online. http://www.strategis.gc.ca/sc_mrkti/tdst/engdoc/tr_homep.html

¹² Argentina, Brazil, Paraguay and Uruguay established the Southern Cone Common Market (Mercosur) in 1991. Mercosur provides for the free circulation of goods, services, capital and labour, a common external tariff, and harmonized macroeconomic and sectoral policies by 2006.

¹³ The Caribbean Community and Common Market: Antigua and Barbuda, Bahamas (not a member of the Common Market), Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago, and recently Haiti.

¹⁴ Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua.

3.2.2 Merchandise Imports

22. Canada imported \$236.7 billion worth of products from the FTAA countries in 2001, of which the United States alone accounted for \$218.3 billion. Our largest percentage of imports by regional groupings in 2001 came from the Andean Community at \$2.2 billion (from \$670 million in 1992), followed by Mercosur at \$2.0 billion (from \$854 million in 1992), CARICOM at \$829 million (from \$316 million in 1992), and the Central American Common Market at \$549 million (from \$241 million in 1992).

23. In 2001, imports from Mexico, Brazil, Venezuela, Chile, Colombia and Argentina represented 89% of Canada's overall imports from the FTAA countries (excluding the United States). The top imports from the FTAA countries (excluding the United States) were vehicles/aircraft; petroleum oils; computers/components; minerals; coffee, tropical fruits and juices, and raw sugar.

3.2.3 Trade in Services

24. Trade in services is an important and growing contributor to the Canadian economy and the economies of most of our trading partners. Generally defined as an economic activity which is consumed as it is produced, services are important in their own right, and they are essential inputs in the production of goods. Trade in services is harder to measure than trade in goods, because services are often intangible and they can be difficult to separate from the goods of which they are considered inputs. There is usually no physical product that passes over a border, meaning authorities often have no way of knowing when a service has been imported or exported. For these reasons, it can be difficult to analyse the anticipated economic impact of a liberalisation in the trade of services.

25. Canada has historically been a net importer of services. With regard to the direction of Canada's trade in services, the United States remains Canada's principal trading partner. The U.S. share of Canada's two-way trade is smaller for services (60.6 percent) than for merchandise (76.3 percent). The United States is becoming an increasingly important market, accounting for 59.2 percent of Canada's services exports in 2001. As regards imports, the U.S. share decreased to 61.8 percent in 2001 from 62.5 percent in 1989.

26. With respect to Canada's services trade with other FTAA countries – excluding the countries with which Canada has regional and bilateral trade agreements, such as NAFTA member countries, Chile, and Costa Rica – Canada's services exports to the remaining FTAA countries were \$1.4 billion in 2000. In contrast, services imports from these countries in 2000 amounted to \$1.8 billion, thus resulting in a trade deficit of \$400 million.

3.2.4 Direct Investment

27. Foreign Direct Investment (FDI)¹⁵ flows into Canada fell sharply in 2001, coinciding with a drop of 40 percent in FDI inflows for the world as a whole, the first decline since 1991 and the largest year-on-year global fall over the past three decades.¹⁶ The global decline was associated with the slump in the dollar value of cross-border mergers and acquisitions, in part because the prices paid for many companies have

¹⁵ FDI is defined as a long term relationship between a foreign investor and a domestic enterprise in which enough of the equity of the enterprise is owned to exercise a significant degree of influence on the management of the enterprise.

¹⁶ UNCTAD projection made in January 2002.

come down substantially from “overvalued” levels in 2000, especially for those in the technology sector. Shocks such as September 11th and the Argentine default later in the year had marginal impact on global FDI flows in 2001. Inflow of FDI into Canada remained at a historically high level of \$42.5 billion in 2001, even though it fell by about 57 percent, from a record level \$98.9 billion in the year 2000.

28. The stock of the FTAA countries’ (excluding the United States) FDI into Canada is typically small. There are, however, some significant Canadian investments in the FTAA region. Canadian investment in, and flowing through, the CARICOM countries as a group exceeds \$31 billion and is mainly in financial services (banking, insurance), although it has diversified to include other sectors, such as mining and energy, in the last 10 years.

29. In 2001, the stock of Canadian FDI in Brazil reached almost \$5.6 billion, making Brazil Canada’s 14th largest destination for FDI. Argentina is another important investment location for Canada. In 2001, the stock of Canadian direct investment in Argentina totalled \$5.6 billion, a 9.6% increase from year 2000’s level of \$5.1 billion. Overall, in Mercosur countries, Canadian FDI is concentrated in the aluminium, oil and gas, mining, power generation, telecommunications equipment and services sectors and has increased significantly in recent years. In 2001, Canadian FDI was estimated at \$11.2 billion for the Mercosur countries and an additional \$5.6 billion for Chile, an associate member. Canadian investment in the Andean countries is approximately \$3.6 billion, primarily focussed in the natural resource and telecommunications sectors.

30. Mexican investment in Canada also remains low at \$132 million in 2000, whereas Canadian investment in Mexico has quadrupled since 1994, reaching \$4 billion in 2000. More than 50% of Canadian investment is in manufacturing. As Mexico and other markets continue to modernize their economies and expand institutional capacity and transparency, they offer excellent opportunities for Canadian business.

4. Initial Environmental Assessment Findings

31. In the following section, analysis is undertaken on a sectoral basis for each of the nine Negotiating Groups: market access; agriculture; services; government procurement; investment; competition policy; dispute settlement; intellectual property rights; and subsidies, anti-dumping and countervailing duties. For each of the Negotiating Groups, Canada's position and objectives are briefly described, followed by the initial assessments of the likely economic effects, the likely and significant environmental impacts, and the mitigation/enhancement options available.

32. Many of these issues will be revisited in the Draft EA, as the Initial EA is intended only to identify, on the basis of a cursory analysis, some of the potential environmental impacts of the FTAA on Canada. The outcome of work in some negotiating groups, such as Intellectual Property Rights and Competition Policy, is not expected to have a significant economic effect on Canada as the negotiations aim to create, or strengthen, rules that facilitate trade, but will not likely directly translate into increased production or trade. By extension, they are not expected to have any significant environmental impact on Canada, and so it may not be necessary to include these sections in the Draft EA. Other sections, such as the Market Access section and the Agriculture section, will surely be looked at in more detail in the Draft EA. Any areas under negotiation which affect how policy instruments are developed at the domestic level will also be further analysed in the Draft EA. The stakeholder consultations process will play an important part in determining which sections, and to what extent, will be subject to further analysis.

4.1 Market Access

33. Mandated to address trade in industrial goods, including fish and forest products, the Negotiating Group on Market Access (NGMA) covers six areas: tariffs, non-tariff measures, safeguards, customs procedures, rules of origin, and standards and technical barriers to trade¹⁷. The market access section of the FTAA Environmental Assessment looks at the impact within Canada of the potential increase in trade in these goods resulting from the conclusion of an agreement. The assumption is that trade in these products will increase as a result of:

- Elimination of tariffs;
- The trade liberalizing effects of tariff elimination not being offset by the introduction of additional non-tariff measures;
- Rules of origin that are transparent, predictable, consistent in application and that will facilitate trade between the Parties;
- Customs procedures that will facilitate trade, while ensuring the integrity of the Agreement; and

¹⁷ Definition of Technical Terms: **Tariffs** - customs duties on merchandise imports that give price advantage to similar locally produced goods and raise revenues for the Government. **Non Tariff Measures** - Government measures or policies other than tariffs which restrict or distort international trade (e.g. import quotas, discriminatory government procurement practices etc.). **Safeguards** - actions in the form of additional duties or import quotas on fairly traded imports that cause or threaten to cause serious injury to domestic producers. **Rules of Origin** - laws, regulations and administrative procedures that determine a product's country of origin to be eligible for tariff preferences. **Customs procedures** - general principles to improve certainty and transparency in respect of the clearance of goods at the border while setting out the procedures related to obtaining advance rulings from a customs authority to ensure consistency of application of the rules related to tariff classification, origin, etc., and provide for the right to appeal such rulings. **Standards and Technical Barriers to Trade** - rules that ensure that regulations, standards, testing and certification procedures do not create unnecessary obstacles to trade.

- Technical barriers to trade disciplines based on the WTO Agreement.

While the Initial EA on market access considers the potential sectors or activities that may be affected by the elimination of tariffs through the implementation of the FTAA in order to identify the main environmental effects that might arise as a result, it does not attempt to address more complex issues such as the effects of market integration, intra-firm trade or how firms rationalize. The Initial EA on market access merely attempts to identify the *likely* environmental impacts and their significance, any mitigation or enhancement measures, and potential issue areas that may require further analysis.

4.1.1 Industrial Goods - Assessment of Economic Effects

34. This section of the Initial EA looks at the economic effects of increased access for non-agricultural industrial products, and considers whether certain sectors of the Canadian economy might experience significant economic changes as a result of the Agreement; if so, it attempts to determine the likely sectoral environmental impacts. This analysis attempts to assess the *marginal* economic effect of the FTAA in Canada, in other words, the effects that the FTAA will have excluding the effects of existing trade agreements. Given that Canada already enjoys preferential access to the United States, Mexico, Chile and Costa Rica under existing hemispheric FTAs, and will likely have an FTA in place with the CA-4¹⁸ by the time the FTAA is implemented, it is assumed that the FTAA would not directly contribute to increased trade liberalization in those countries. This analysis therefore focuses on Canada's trading relationships with FTAA countries with which no free trade agreement either exists or is currently being negotiated.

35. The last remaining tariffs with the United States were phased out by 1998, and with Mexico on January 1, 2003. With regard to the tariff schedule of the Canada-Chile Free Trade Agreement (CCFTA), tariffs on most originating goods traded between the two countries were eliminated upon implementation in 1997; tariffs on certain goods (*e.g.*, textiles, apparel, footwear, plastics) were phased-out, becoming duty-free on January 1, 2003. Therefore, benefits of free trade realized by Canadian exporters are the result of these current FTAs and should not be attributed to the FTAA.

36. The Canada-Costa Rica Free Trade Agreement (CCRFTA) was signed in 2001 and the agreement came into force November 1, 2002. Upon implementation, tariffs on the vast majority of goods were eliminated. For most products in the textile, apparel and footwear industries, tariffs will be phased-out, becoming duty-free within seven years of implementation. It is anticipated these phase-outs will be completed prior to any similar commitments in the FTAA.

37. Appendix 1 presents an overview of 2001 trade flows between Canada and FTAA countries that are included in the current analysis. While two-way trade between Canada and Latin America and the Caribbean amounted to over \$8.3 billion in 2001, representing only 1.2% of Canada's global trade, these markets represent 4.9% of total non-U.S. two-way trade. Canada's exports to these countries accounted for slightly less than 1% of overall exports, whereas imports from them accounted for 1.6% of our total imports. By comparison, Canada's exports to the United States comprised 87.2% of total exports while imports from the U.S. represented 63.6% of overall imports.

¹⁸ El Salvador, Guatemala, Honduras and Nicaragua

38. Recalling the assumption that trade is expected to increase due to, among other things, the elimination of tariffs, the potential exists for Canadian exports to increase should tariffs be eliminated in the FTAA countries. Tariffs have the effect of increasing the cost of goods to the importer. By reducing tariffs, the relative cost of imports is reduced, which should result in an increase in Canadian exports. Moreover, as trade is liberalized, resources are allocated more efficiently and economic growth results. However, it should be noted that Canada's FTAA partners will also benefit from increased liberalization, increasing Canada's competition.

39. In order to identify which sectors of the economy might potentially experience an economic change, consideration was given to the top 25 Canadian industrial products that are exported to and imported from the FTAA countries with which no free trade agreement exists, or is being negotiated.¹⁹ Canada's main trading partners in the region, as well as the tariffs Canadian products face when entering those countries, and Canadian tariffs imposed on imported goods were identified for each of the top 25 exported/imported products²⁰ to assess whether there would be an economic effect generated by the conclusion of this Agreement.

Exports

40. Under the Canada-USA FTA and NAFTA trade agreements, Canada deepened its trade relations with the United States and Mexico, experiencing an average annual increase of 12.4% in merchandise exports to the U.S. and an average annual increase of 12.0% in exports to Mexico, in the period 1990 to 2000. In comparison, Canadian merchandise exports to non-NAFTA FTAA countries expanded by an annual average of 7.3% over the same period.

41. Exports of the top 25 products identified by the adopted methodology amounted to \$1.97 billion in 2000, and accounted for 51.4% of Canada's exports to the countries considered. Electrical machinery, paper products, fertilizers, vehicles and auto parts, coal, lubricating oils and greases derived from petroleum, and machinery equipment lead Canada's exports. It is assumed that these products reflect areas where Canada has a comparative advantage/export interest that might benefit from further tariff reductions in the hemisphere.

42. A number of Canadian products already enter the target market at zero or low tariffs; therefore it is unlikely that the FTAA will lead to any significant increase in exports and hence to any change in domestic production for those goods. This is the case for the following products identified among the top 25 exports:

¹⁹ The methodology used to approximate the top 25 Canadian industrial exports is as follows: Recognizing that import data is generally more reliable than export data, the other countries' imports from Canada were used instead of Canada's exports to these countries. For each country included in the present analysis, the top 25 industrial imports from Canada were identified at the HS 4-digit level. The numbers were then aggregated across countries and a new ranking of the top 25 Canadian exports was produced. On the import side, Canada's top 25 industrial imports from each country were identified, the numbers were aggregated and a new ranking was produced. It should be noted that over 80% of Canada's exports are predominantly destined to five main parties; substantially all of Canada's exports to these markets is captured in this analysis. The above methodology represents merely one way of aggregating data; other methods may result in a slightly different top 25 list.

²⁰ Lead exports to the FTAA region are electrical machinery and equipment, newsprint and paper/paperboard products, fertilizers, sulphur, vehicles and auto parts, coal, medicaments, petroleum oils, aircraft and spacecraft, some fish products, machinery, and some plastic products. Lead imports from the FTAA region into Canada are petroleum oils, gold, auto parts, leather, iron and steel products, coal, ores, footwear and made-up textiles articles

- Fertilizers: wholly destined to the Brazilian market, which imposes an average tariff close to 0%;
- Sulphur: mainly exported to Brazil and Argentina, and subject to a low tariff of 2.5%;
- Coal: wholly exported to Brazil, which imposes no tariff on this type of product;
- Petroleum oils: mainly exported to Brazil, and subject to a low average tariff of 0.8%; and
- Aircraft and spacecraft: 52.5% of Canada's exports to the countries considered go to Brazil, which imposes no tariff; 24.2% go to Argentina, which has a low tariff of 2.5%.

43.If a Canadian product currently faces a medium or high tariff when entering foreign markets, exports of that good may increase as a result of tariff elimination. This is the case for the following categories of products, all in the top 25 exports to the countries considered:

- Electrical machinery and equipment are worth \$627 million (this amounts to 3.4% of Canada's global exports of these goods). The primary markets for these products among the countries considered are Brazil, Argentina, Venezuela, Colombia and Peru and their average tariffs are between 5% and 18.5%.
- Newsprint and paper/paperboard products are worth \$403 million (this amounts to 4.5% of Canada's global exports of these products). 65% of newsprint exports go to Brazil and Argentina, which apply an average tariff of 9% and 11.5%, respectively, while 10% of such exports enter Colombia duty-free. Also, all of Canada's exports of paper and paperboard products to the countries considered go to Brazil, Colombia and Argentina, which maintain an average tariff of 15%.
- Vehicles and auto parts are worth \$183 million (this amounts to a mere 0.2% of Canada's global exports of these products). Although Venezuela and Brazil, the main export markets among the countries considered, maintain high tariffs, the elimination of these tariffs is likely to have a minimal economic impact in Canada, in light of the small fraction that exports to the countries considered account for in total exports.
- Machinery and mechanical appliances are worth \$119 million (this amounts to only 0.9% of Canada's total exports of these products). The main importers are Peru, Brazil and Argentina, whose average tariffs on these goods vary from 5.5% to 16.4%.

44.Although these Canadian products may gain from improved access to certain FTAA markets, it is important to note that products from other member countries will also enjoy improved access under the Agreement, which may dampen some of the potential gains for Canadian exporters. Moreover, it also means that Canada will gradually lose the preferential margin it enjoys with its current free trade partners, in particular the United States, vis-à-vis its hemispheric competitors. The impact on Canadian exports will likely be somewhat mitigated, however, by the level of economic integration that has taken place across the NAFTA markets.

45.Finally, it should be kept in mind that the top 25 exports to the countries considered represent only 1.4% of Canada's overall exports of these 25 products and that, when expressed in relation to GDP, they comprise a mere 0.21% of GDP. Exports of *all* industrial goods to the countries considered, the still amount to less than half of one percent (0.41%) of GDP. Assuming that even without FTAA preferences, Canadian exports to these countries will continue to increase by the average annual growth rate for exports to the Hemisphere (8.2%), and that the gradual introduction of preferences under an Agreement will provide a boost to this growth rate, the increase in trade pursuant to the entry into force of the FTAA is

unlikely to have a major impact on the Canadian economy, given the small contribution exports to these markets make to global Canadian exports for these products and to overall Canadian production of these goods. Similarly, it is not expected that this Agreement will significantly alter employment or Canada's balance of payments.

Imports

46. Using the same process as for exports, the top 25 industrial imports from the FTAA countries, excluding NAFTA, Chile, Costa Rica, and CA-4, were considered to signal areas where potential FTAA partners may have a comparative advantage/export interest. Petroleum oils, coal, iron and steel products, and auto parts led Canada's imports from the countries considered in 2000. Canada's top 25 industrial imports aggregated across the countries considered accounted for 0.27% of Canada's GDP (slightly higher percent than exports) while total imports from these countries account for 0.45% of GDP. Canada currently offers duty-free access (Most Favoured Nation or General Preferential Treatment) to each of the countries considered for 18 of the 25 top imported products. Given the current ease with which these goods access the Canadian market, it is unlikely that there will be a significant increase in imports upon implementation of the FTAA.

47. Of the remaining top imports from the countries considered, most are textiles, apparel and footwear that face tariffs reaching 19%. Tariff reductions in these sectors may result in increases in imports. This may result in some restructuring of the Canadian industry with possible reductions in Canadian production.

4.1.2 Industrial Goods - Assessment of Likely and Significant Environmental Impacts

48. Following the prescribed methodology for conducting EAs of trade agreements, the initial analysis indicates that since the resulting overall economic effect in regard to trade of industrial goods is expected to be minimal for Canada, significant environmental impacts are unlikely to occur.

49. However, in cases where it is conceivable that there may be localized economic effects, numerous mitigative measures, regulations and best practices are in place which promote the environmentally sound production of industrial goods across Canada. Some of these are discussed in the next section. In the event that those measures do not appropriately address problems, Canada will not give up its right to take further measures to protect the environment.

4.1.3 Industrial Goods - Initial Assessment of Mitigation/Enhancement Options

50. The following information provides examples of existing measures for several of the industrial sectors that cover the top 25 Canadian exports to the countries considered in this analysis.

Newsprint, and paper-products

51. The relative economic impact on Canada's forest sector is anticipated to be minimal and, accordingly, any likely significant environmental effect should be minimized through Canada's forest management practices that are based not on product demand, but on provincial and territorial regulations that seek to ensure sustainable forest management practices. For example, the allowable annual cut is based on an assessment of how much can be harvested on what is considered to be a sustainable basis.

52. The majority of timber in Canada is harvested from provincial and territorial Crown lands. Operators

must comply with both provincial/territorial and federal legislation. While the legislation in different jurisdictions varies, the goal in all cases is to achieve sustainable forest management through balancing the social, cultural, economic and environmental values of forests. Public consultations and involvement in setting forest policies are important at all levels of government in Canada.

Sulphur

53. Hydrogen sulphide is extracted from natural gas and oil and is converted into elemental sulphur and water to avoid the release of hydrogen sulphide and sulphur dioxide (which reacts with water to form acid) into the atmosphere. Elemental sulphur can be safely stored as solid blocks. As sulphur is combustible, Transport Canada regulations dictate the safe transportation of sulphur in Canada. The more combustible sulphur dust is kept to a minimum by either transporting the sulphur as a hot liquid, or in the form of prills, granules and other shapes, which can withstand normal handling without producing significant quantities of dust.

Fish products

54. The primary consideration in determining catch limits for individual fish species is ensuring that the stock is harvested at a sustainable level. Consequently, while demand for a species may increase, this will not affect the total allowable catch. Further, while the value and quantity of fish and seafood products exported to the FTAA area is expected to increase as a result of improved access to those markets, only a very small share of Canada's total fish and seafood exports are currently destined to these countries. Any economic effect in this sector is therefore likely to be minimal at most, and there is likely to be no environmental impact on the sustainability of Canadian fish stocks or on the marine environment.

55. Responsibility for resource management is considered the duty of the state which has the jurisdiction over resources within its Exclusive Economic Zone. It may also be entrusted to fisheries management organizations for resources such as straddling fish stocks or resources in the high seas. Due to the number of Canadian straddling fisheries stocks that are part of the ecosystem that must be managed, Canada is an active participant in many international initiatives to reduce and manage fishing capacity within sustainable limits. Canada has developed and introduced selective fishing practices, and has integrated fisheries monitoring methods to reduce both the wastage in fisheries and any destructive fishing practices.

56. Aquaculture exports would not be anticipated to increase dramatically because of a liberalization of trade within the FTAA. The aquaculture industry in Canada is subjected to a rigorous regulatory framework (animal health and environmental). This responsibility is shared by federal and provincial governments. Any new aquaculture site or site expansion is subject to the *Canadian Environmental Assessment Act*. The EA process is designed to evaluate potential environmental impacts, including cumulative effects, and to ensure that relevant mitigation is in place to prevent such impacts. Thus, based on the anticipated small market share there is not expected to be a major expansion of the industry as a result of the FTAA. Any environmental impact relating to growth of the industry as a result of increased exports within the FTAA will be considered, and should be mitigated, pursuant to the Canadian Environmental Assessment Act.

Coal, petroleum and bituminous oils

57. Environmental protection is addressed at all stages of the coal chain. At the mining stage, environmental assessments are an integral part of the provincial mine permitting process. In certain instances, mining projects also trigger a federal environmental review under the *Canadian Environmental*

Assessment Act. Environmental assessments seek to ensure that activities associated with coal mining, including the removal of vegetation, relocation of overburden²¹, construction of roads, blasting, mine operation and reclamation of previously mined areas, are carried out in a manner that minimizes any negative effect on the environment.

58. Environmental protection is also addressed for petroleum and bituminous oils, a category that refers primarily to lubricating oils and greases. These are produced by Canadian refiners who adhere to a voluntary code of practice that promotes the compliance of their operations with government legislation, corporate policy and all industry standards and regulations concerning the protection of the environment and the public.

59. The analysis undertaken in this Initial EA indicates that significant environmental impacts are unlikely to occur in Canada as a result of the market access negotiations in the FTAA. Nevertheless, further analysis will be conducted in the Draft EA on the basis of, *inter alia*, feedback that emerges from the stakeholder consultation process.

²¹ The overlying clay, rock, or other matter which has to be removed in quarrying or mining, in order to get at the deposit worked

4.2 Agriculture

60. The objectives of the Negotiating Group on Agriculture (NGAG) are centred on four subjects: market access; export subsidies; other trade distorting practices for agricultural goods; and sanitary and phytosanitary measures.

61. It cannot be overemphasised that Canada's objectives in the WTO and the FTAA are complementary and mutually reinforcing. Canada's FTAA position is to work to achieve access for Canadian agri-food products in markets of other FTAA participants on terms more favourable than is likely to be possible in the WTO. Moreover, Canada is supportive of the elimination of agricultural export subsidies for trade within the FTAA as a step towards multilateral elimination in the WTO. On the other hand, Canada's position in the NGAG is that any further development on rules and disciplines for State Trading Enterprises or measures and practices that distort agricultural production and trade, in areas such as export credit, food aid, domestic support, and other forms of export assistance, should be undertaken in the appropriate multilateral fora.²²

4.2.1 Agriculture - Assessment of Economic Effects

62. This section looks at the likely economic effects within Canada of the potential increase in trade of agricultural products resulting from the conclusion of an FTAA. The assumption is that trade in these products will increase as a result of:

- Elimination of most tariffs (see below for more details);
- The trade liberalizing effects of tariff elimination not being offset by the introduction of new or additional non-tariff measures;
- Rules of origins that are transparent, predictable, consistent in application and that will facilitate trade between the Parties;
- Customs procedures that will facilitate trade, while ensuring the integrity of the Agreement; and
- Technical barriers to trade disciplines based on the WTO agreements- including Sanitary and Phytosanitary Measures (SPS).

63. As with the section on Industrial Goods, this analysis attempts to assess the *marginal* economic effect of the FTAA in Canada. In other words, it attempts to assess the effects that the FTAA will have excluding the effects of existing trade agreements. Given that Canada already enjoys preferential access to the United States, Mexico, Chile, and Costa Rica, and will likely enjoy preferential access to the Central America Four by the time the FTAA is concluded, it is assumed that the FTAA would not directly contribute to increased trade liberalization for Canada in these countries. This analysis therefore focuses on the trading relationship with the countries in the FTAA with which Canada does not presently have a free trade agreement. Thus, for the purposes of this section, the "FTAA region" can be defined to include all FTAA partner countries except the United States, Mexico, Costa Rica, Guatemala, Nicaragua, El Salvador, and Honduras.

²²

Canada's initial FTAA negotiation position in relation to agriculture can be viewed in more detail at <http://www.dfait-maeci.gc.ca/tna-nac/A-P&P-e.asp>.

64. Under the Canada-U.S. FTA, duty-free trade on almost all agriculture products was reached on January 1, 1998. Through the NAFTA, tariffs on almost all agricultural trade between Canada and Mexico were eliminated by January, 2003. Under the Canada-Chile FTA, the vast majority of agricultural products are already traded duty-free or will be within 10 years of implementation, that is, by 2007. The Canada-Costa Rica FTA was signed in 2001 and came into force November 1, 2002. The agreement secures market access improvements for over 90% of Canada's dutiable agri-food exports to Costa Rica, while eliminating most of the remaining tariffs on Canadian agri-food imports from Costa Rica. Under all of the aforementioned FTAs, Canada's over-quota tariffs on dairy, poultry and egg products are excluded from tariff elimination.

Exports

65. Agriculture and agri-food is a key economic sector in Canada. The Canadian agriculture and agri-food sector accounted for \$100 billion in annual retail and food service sales and 8.3% of the total Canadian GDP in 2000. Canada exported over \$26.6 billion in agriculture and agri-food products in 2001, and is the third-largest agri-food exporter in the world behind the United States and the European Union. In 2001, Canada exported \$842 million in agriculture and agri-food products to the FTAA region as defined above. Thus, the potential scope of the FTAA involves about 3.2% of Canada's current agriculture and agri-food exports.

66. In accordance with Canada's negotiating position on domestic support (i.e. that further development on rules and disciplines for domestic support should be advanced within the WTO) the primary impact of the FTAA negotiations will be realized by the reduction and eventual elimination of tariffs and other market access barriers, as well as the elimination of export subsidies for agri-food products in the hemisphere. Therefore, any impact that WTO negotiated reductions in domestic support may have on market prices and trade flows is not considered in this analysis. In considering the potential impact of the FTAA, it is assumed that almost all tariffs will be reduced to zero- although the scope of tariff reductions/elimination has yet to be negotiated.

67. Although the FTAA area represents a small share of Canada's current agriculture and agri-food export market, there is potential for significant improvements in market access conditions for a number of key export products. For example, while wheat is by far Canada's largest single export to the FTAA region as defined above (comprising about 63%, or \$533 million, of total exports in 2001), significant tariff barriers remain in certain markets, notably Brazil. Canada has seen its wheat market share in Brazil drop precipitously with the implementation of Mercosur and the realization of tariff and other preferences for Argentinian wheat. Liberalization of this sector would be beneficial for Canadian wheat producers as it would allow for improved and non-discriminatory access to the Brazilian market, as well as to other markets in the region.

68. A number of other key Canadian exports face market access barriers in the FTAA region. For instance, pulse crops -- with over \$100 million in exports in 2000 to the FTAA region-- face various tariff barriers across the region. In addition, beef products, pork products, french fries, seed and table potatoes, and malt are important Canadian exports which likewise face significant regional market access barriers. Moreover, it is expected that as the economies in Latin America and the Caribbean mature and develop, demand will increase for value-added consumer goods such as processed meats, canned meats and vegetables, pet food, cereal products and pastries. An FTAA is expected to reduce or eliminate market access barriers to these

and other agri-food products.

69. While an FTAA could be expected to reduce or eliminate key market access barriers to Canadian agriculture and agri-food products (for example, wheat), it is expected that this will have a relatively marginal impact on production levels in Canada, considering the small size of the FTAA region's current share of total Canadian agri-food exports. In fact, the most important factor in determining production patterns of Canadian farmers is international price levels. Commodity prices are affected by a myriad of factors, for example, crop yields, weather patterns, international subsidies, but it is not expected that anticipated reductions in tariffs (and, therefore, increased demand for certain products) within the FTAA region will have more than a marginal impact on prices for key agriculture products, including grains and oilseeds, field crops and meat and meat products. For these and other products, the size of the potential FTAA market is not large enough within the global market to significantly impact world prices. As such, the most significant impact will likely be felt on Canadian products in markets where those products gain a comparative tariff advantage vis-a-vis international competitors from outside the FTAA. Of course, Canada will have to compete with other producer countries within the FTAA in sectors such as livestock where other competitive producers include Brazil, Argentina, Uruguay and the United States.

70. In the area of sanitary and phyto-sanitary measures (SPS), Canada's position in the FTAA negotiations seeks reaffirmation and full application within the Hemisphere of existing rights and obligations under the WTO Agreement on the Application of SPS Measures, which would maintain Canada's right to enforce food safety standards and protect human, plant, and animal health based on sound scientific principles. In other words, Canada will ensure that the FTAA reinforces and complements existing international norms and regimes relating to food safety and food quality.

Imports

71. In 2001, Canada imported a total of \$19.2 billion in agri-food products. Canada imported just over \$1 billion --or about 5.3% of that total-- in agri-food products from the FTAA region (that is, the same countries identified for the above analysis). Canada's FTAA region imports are dominated by tropical products, with just five product sectors --tropical fruits, nuts, raw sugar, coffee and tropical juices-- together accounting for around \$610 million or about 60% of Canada's total agri-food imports from the FTAA region. Moreover, these products are already imported duty-free since they are complementary and non-competing products. In accordance with the position Canada has taken in existing regional trade agreements, it is assumed that over-quota tariffs for dairy, chicken, turkey and egg products will be excluded from tariff elimination. Based on this assumption and considering the small share of FTAA region agri-food imports in Canada, as well as the fact that the majority of imports are in complementary and non-competing agri-food sectors, the economic impact of increased trade liberalization under the FTAA for imported agri-food products is not expected to be significant.

4.2.2 Agriculture - Assessment of Likely and Significant Environmental Impacts

72. The primary agriculture sector unquestionably has an impact on the environment. The sector uses land, air, water and biodiversity to produce agriculture products and thus can have a negative impact on these resources. Agriculture and Agri-foods Canada (AAFC) continues to make considerable effort to understand the environmental impact of agricultural practices and to seek ways to reduce this impact to ensure the sector uses these resources in a sustainable manner.

73. From an environmental perspective, the most significant changes in agricultural production are changes that impact on land use and changes in livestock numbers. Under the trade liberalization expected to occur through the FTAA, it is expected that there will be marginal increases in crop acreage, and to a lesser extent, livestock production. It is assumed that these increases would occur in regions where production (and production growth) is focussed, implying that most of the increases in crop acreage and livestock numbers would happen in the Prairie region. Since Canada has relatively low intensity agriculture, it is less prone to environmental damage and is better-able to maintain rural landscapes. It is uncertain what effect, if any, trade liberalization would have on production, farm size or structure. In any case, however, any such changes are unlikely to have significant environmental effects.

74. Trade liberalization could have secondary effects on food processing and transportation, which could also have environmental consequences. On the one hand, trade liberalization is likely to lead to more exports of low-volume higher priced processed goods --as opposed to lower priced raw commodities in bulk-- thus potentially reducing fuel consumption and air pollution. On the other hand, this liberalization may also lead to increases in the total volume of international trade, thereby increasing the environmental impacts of transportation.

75. Regardless of the liberalization of agricultural trade during the past decade, environmental standards and regulations with regard to agriculture have tended to become more stringent in many OECD countries. Further agricultural trade liberalization is likewise not expected to affect countries' ability to regulate agricultural production/farm practices for the purpose of minimizing their negative environmental impacts.

76. Considering the current and potential market size of the FTAA region as defined in this section (currently about 3.2% of Canada's agriculture and agri-food exports), and that international price changes drive production changes more than decreases in market access barriers, production level changes due to trade liberalization under an FTAA are expected to be limited. Accordingly, the environmental impact of such changes is expected to be minimal, especially considering federal and provincial environmental legislation currently in place and the revamped environmental policies planned by AAFC in the context of the Agriculture Policy Framework (APF) which would act to mitigate and reduce environmental impacts of agriculture production (discussed further below, in section 4.2.3).

4.2.3 Agriculture - Initial Assessment of Mitigation/Enhancement Options

77. There is a range of programs and policies currently in place that act to mitigate and reduce the environmental impacts of agriculture production.

Environmental Sustainability: a key priority in Canada's Agricultural Policy

78. The principle of environmental sustainability has guided the design of Canadian agricultural safety nets for more than a decade²³ and is included in the current *Framework Agreement on Agricultural Risk Management*.²⁴ Moreover, as stated in the new APF (see below), this principle will continue to guide the

²³ i.e. since the *Farm Income Protection Act* (FIPA) came into effect in 1991

²⁴ A *Framework Agreement on Agricultural Risk* provides a framework for federal-provincial negotiation and administration of agricultural risk management programs in Canada. The agreement sets out: 1) objectives and principles to guide the development of agricultural risk management programs; 2) parameters and disciplines on the design of programs; and 3) responsibilities for funding, coordination, periodic reform, monitoring and management.

design of future AAFC programs aimed at ensuring that agriculture producers adopt environmentally responsible practices.

The Agricultural Policy Framework (APF)

79. In June 2002 in Halifax, the federal government announced a new APF with “*the common goal of securing the long-term prosperity and success of the agriculture and agri-food sector by being the world leader in food safety, innovation and environmentally responsible production.*”²⁵ This goal is supported by five priorities, one of which is to enhance the sector’s environmental performance. The APF’s environmental focus reflects the fact that environmental protection is critical both for the continuing viability of the agricultural sector and to citizens and consumers seeking assurances that food is produced in an environmentally responsible way. Through the APF, federal, provincial and territorial governments aim to assist producers in accelerating the adoption of improved environmental practices across the country (e.g. via environmental farm plans). Such efforts will help offset any negative environmental impact that might result from liberalized agricultural trade.

80. The Government of Canada committed \$5.2 billion over the next five years for the implementation of the APF. As part of this commitment, \$264.5 million has been dedicated for specific environmental initiatives that will help the sector move into the new APF direction. These actions include: the promotion of better use of agricultural land with measures that include taking some environmentally fragile land out of production; improving water supplies; increasing the number of farms with environmental plans; and improving access to new and more environmentally friendly pesticides.

Government Agri-Environmental Initiatives

81. The federal government and AAFC fund various research and program initiatives intended to improve the environmental performance of the agri-food sector. For example,

- the Greenhouse Gas Mitigation Program for Canadian Agriculture - a \$21 million, 5 year program launched in 2002 to identify and promote the adoption of soil, nutrient and livestock best management practices that reduce greenhouse gas emissions;
- Countryside Canada - a three year, \$0.6 million program launched in February 2000 to recognize farmers and ranchers for exemplary agri-environmental stewardship initiatives;
- the Livestock Environmental Initiative- a \$1.3 million program launched in 1999 to support: research & development, environmental assessments, and technology transfer with regards to livestock; and,
- a national environmental management system standard for hogs.

82. Provincial environmental legislation and initiatives usually have more direct impact on farming operations. They include a range of mechanisms designed to encourage or require environmentally sound farming practices:

- extension services or funding to individuals or groups to carry out specific practices, develop infrastructure or diversify operations to reduce the environmental impact of agricultural production;

²⁵ Federal-Provincial-Territorial Communiqué, Whitehorse, June 29, 2001.

- information on beneficial environmental management practices;
- regulations to reduce the potential environmental risks associated with some farming practices;
- policies encouraging the development of on-farm environment plans;
- legislation to regulate the siting, development and operation of new or expanded livestock operations;
- scientific research on the impact of agriculture on the environment; and
- legislation to make the discharge of pollutants illegal.

83. Finally, there are numerous activities supported by non-government organizations (NGOs) which have specific environmental protection goals. For example, there are several projects in agricultural regions funded by Ducks Unlimited, the goal of which is to conserve wetlands for waterfowl in North America. Another example is the co-operation between industry and environmental NGOs in leading development of Environmental Farm Plans.²⁶

84. The preceding analysis predicts that increased access for Canadian agri-food products in markets of other FTAA participants (excluding NAFTA, Chile, Costa Rica, and CA-4) will have a relatively marginal impact on production levels in Canada, considering the small size of the countries' current share of total Canadian agri-food exports. Thus, marginal changes on production levels will have minimal effects on the environment. The majority of agri-food imports from the FTAA region as defined in this section are complementary and non-competing agri-food sectors and therefore, the economic impact of increased trade liberalization under the FTAA for imported agri-food products is not expected to be significant. As such, further analysis of the agriculture sector in the Draft EA for the FTAA will be pursued based on the feedback that emerges out of the stakeholder consultation process.

²⁶ For example, see *Alberta Environmental Farm Plan* - www.lethbridgecollege.ab.ca/calendar/ag_lecture/ag_lecture/aefp.pdf

4.3 Government Procurement

85. Canada is seeking negotiation of a chapter on government procurement that will improve access for Canadian firms selling their goods and services to foreign government markets, both with our NAFTA and non-NAFTA trading partners. Canada's negotiating objectives for the Negotiating Group on Government Procurement (NGGP) are to seek expanded market access to FTAA countries' public markets, and an open, transparent and non-discriminatory procurement framework, including an impartial, fair, and effective review process. It is likely that such a chapter will exclude certain government procurement, such as strategic government goods and services, eg. defence-related services.

86. A government procurement chapter would only apply to specified government organizations, goods, services, and construction services above a specified threshold that a country chooses to cover. Canada would not advocate the inclusion of Canadian provinces or municipalities. Most goods and many services procured by the federal government of Canada are currently open to our NAFTA partners. While the NAFTA gives Canada access to certain procurement in the USA and Mexico, market access for government procurement is not provided in any of Canada's other existing free trade agreements in the hemisphere. Crucial to achieving access in key sectors currently excluded under the NAFTA will be the United States' willingness to modify Buy America provisions and Small Business Set-Asides, in order to provide predictable access to already-negotiated coverage for Canadian suppliers.

4.3.1 Government Procurement - Assessment of Economic Effects

87. In Canada, federal government departments and agencies purchase approximately \$9.3 billion annually,²⁷ which represents approximately 1% of Canada's GDP.

88. Under an FTAA which provides expanded market access, trade is likely to increase in specific product and service areas of interest to Canadian suppliers in the hemisphere. FTAA members will gain access to a wide range of commercial goods, consulting services, computer technology, agricultural products, and construction services that are purchased by the federal government of Canada, while Canadian suppliers will gain access to similar purchases by other governments in the FTAA. Since Canada's largest export market and prime market of interest to Canadian suppliers is the United States, to which Canada already has access under NAFTA Chapter 10, increased trade in these sectors is expected to be limited in the short term relative to current trade. Similarly, although suppliers from other countries in the FTAA region aside from the USA and Mexico stand to gain access to Canada's procurement market, our NAFTA partners will continue to account for the bulk of procurements sourced from outside of Canada. Thus, the potential economic impacts due to increased trade in public markets are anticipated to be limited. The assumption in the foregoing is that the access Canada enjoys under the NAFTA to the U.S. and Mexican procurement markets, and vice-versa, would remain unchanged under the FTAA. However, if the scope and depth of the market access commitments for government procurement go significantly beyond our existing NAFTA commitments, the potential impact may be larger.

4.3.2 Government Procurement - Assessment of Likely and Significant Environmental Impacts

²⁷ Source: Figure for 2000 from the following website www.tbs-sct.gc.ca/pubs_pol/dcgpubs/con_data/par-rap00_e.html.

89. As the expected economic effects of liberalised government procurement under an FTAA are limited, significant environmental impacts on Canada are not likely.

4.3.3 Government Procurement - Initial Assessment of Mitigation/Enhancement Options

90. Some NGOs and municipalities have expressed concern that governments participating in government procurement trade agreements (GPA) may be limited in their ability to apply policies which support environmental goals.²⁸ In fact, government procurement agreements such as Chapter 10 in NAFTA and the GPA in WTO, provide scope to implement “green” purchasing carried out in a way that does not represent an unnecessary barrier to trade. Canada will seek to preserve the scope for such policies in an FTAA agreement.

91. The federal government of Canada, as part of its broader sustainable development strategy, has developed tools to help departments “green” their procurement.

²⁸ For more information on municipal concerns, visit www.dfait-maeci.gc.ca/tna-nac/fcM-e.asp.

4.4 Investment

92. The Americas are a prime destination for Canadian direct investment abroad (CDIA),²⁹ which reached \$254.7 billion in 2001. The stock of CDIA in non-NAFTA countries of the Hemisphere has grown at a fast pace, jumping from only \$6.4 billion in 1990 to \$57.9 billion in 2001. Conversely, the stock of FDI in Canada from non-NAFTA countries in the Americas totalled only \$3.2 billion in 2001. Canada is, therefore, a net exporter of investment to its non-NAFTA hemispheric neighbours by a wide margin. Overall, Canada has a strong outward investment orientation in the Americas beyond the USA and Mexico.

93. In this context, Canada will pursue substantive investment obligations in the FTAA that will serve Canadian interests by providing for stability, transparency, predictability, non-discrimination and protection for Canadian companies and individuals that invest abroad, while allowing for policy flexibility in areas of key domestic sensitivity. Canada's main objective is to ensure a clear delineation of investment obligations that will serve Canadian interests. In doing so, we will take into account our experience with existing trade and investment agreements.

94. Canada will ensure that it preserves its ability to adopt or maintain regulations, administrative practices or other measures in sectors of key policy interest. As is the case for other trade agreements, the FTAA investment chapter is expected to allow countries to file exceptions for those measures they wish to maintain and would otherwise not be allowed under the FTAA (e.g. national treatment, most-favoured nation treatment and performance requirements). Canada supports the inclusion of provisions in trade and investment agreements, such as those found in NAFTA Article 1114, that make it clear that governments should not seek to attract investments by relaxing their domestic labour or environmental standards.

95. In addition, Canada advocates ensuring that any provision limiting performance requirements permits the adoption of measures, including environmental measures, that are necessary to protect human, animal or plant life or health; or necessary for the conservation of living or non-living exhaustible natural resources, provided such measures are not arbitrary and do not constitute a disguised restriction on international trade or investment.

96. As a net capital exporter, Canada supports the incorporation of effective investor protection provisions in the FTAA, including a mechanism that allows for the timely resolution of disputes before an impartial tribunal, in order to shield our investors from arbitrary and discriminatory actions abroad. Canada is not advocating the replication of NAFTA dispute settlement rules in the agreement. However, this does not preclude the adoption of investor protection provisions of a similar nature that will meet our objectives.

4.4.1 Investment - Assessment of Economic Impacts

97. In the initial phase of the environmental assessment of this chapter it is important to highlight the fact that the FTAA will exist simultaneously with NAFTA rather than replace it, unless the Parties to the NAFTA agree otherwise. As our economic relationship with the U.S. and Mexico is already regulated by the NAFTA and no change is expected, this assessment focuses on determining the potential economic and environmental impact of an eventual FTAA on our relationship with non-NAFTA partners. This premise is important, since the extent of foreign direct investment between Canada and the non-NAFTA members of

²⁹ CDIA refers to Canadian-based capital that is invested in other countries. FDI can either refer to CDIA or foreign-based capital invested in another country, such as Canada.

the FTAA is currently less significant than the extent of foreign direct investment between Canada and the other NAFTA countries. Accordingly, any economic or environmental impact in Canada is also expected to be much less significant.

98. The share of Canadian foreign direct investment in the countries of Latin America and the Caribbean more than doubled between 1990 and 2001, from 6.5% to 14.9%. In absolute terms, Canadian direct investment in these regions rose eightfold over the same period, from \$6.4 billion to \$57.9 billion. Since Mexico's share is approximately \$4.0 billion, there is a balance of \$53.9 billion for the non-NAFTA countries of the FTAA. In 2001, more than half of this total was invested in, or through, the Caribbean (\$31.5 billion). A further \$16.8 billion was invested in Brazil, Argentina and Chile, with the remainder divided among the other countries of Latin America.³⁰

99. In 1999, it was estimated that 75% of Canadian direct investments in Latin America and the Caribbean were concentrated in deposit-accepting intermediaries, the non-ferrous metals and primary metal products industry, and in portfolio investment.³¹ The areas representing the fastest growth rate were insurance and portfolio investment.

100. An examination of Latin American and Caribbean investment in Canada in 1999 revealed that 97.7% of the total was concentrated in portfolio investment, the non-ferrous metals and primary metal products industry, specialty merchandise retailing, iron, steel and their by-products, petroleum and natural gas, and real estate/construction. The remaining investments were divided among other industries, with less than \$8 million each.³² The three industries demonstrating the highest growth rate were non-ferrous metals and primary metal products, portfolio investment, and petroleum and natural gas.

101. Foreign direct investment creates jobs both abroad and in the domestic market. It strengthens the potential trade links between states by creating a presence in foreign markets, thereby creating opportunities for higher profits, payments for patents, and the sharing of Canadian expertise through exports of goods and services. The positive link between foreign investment and exports is noted in an OECD study of 14 countries, which estimates that, over the short term, each new dollar invested abroad results in two dollars of additional exports.³³ When spread over several years, the effect on exports of new investment flows in developing countries can become three to four times the original investment amount. Several studies by Industry Canada also show that foreign direct investment and exports are complementary.³⁴

102. In Canada, one of every four jobs depends on international trade. And while it is hard to prove a direct causal effect between increased investment and exports and, further down the line, job creation, the various studies available and the data on hand suggest that new Canadian direct investment in the non-NAFTA countries of the FTAA (and direct investments from these countries) could generate additional exports, which, in turn, could generate new jobs for Canadians. It is also expected that, in the medium to long term, the greater prosperity brought to the Hemisphere by the benefits of the FTAA will result in more

³⁰ CANSIM Table 376-0051 Canadian Direct Investment Abroad, Statistics Canada.

³¹ Sancak 2000: Trends in Canada's Outward FDI. Industry Canada, October 2000. The shares are calculated using the industry sum of available CDIA data for Latin America, which in 1999 comprised 73.2% of the total CDIA to this region.

³² Sancak 2000: Trends in Canada's Inward FDI. Industry Canada, October 2000. The shares are calculated using the industry sum of available FDIC data for Latin America, which in 1999 comprised 24.7% of the total FDIC from this region.

³³ Lionel Fontagne, "Foreign Direct Investment and International Trade: Complements or Substitutes?" Working paper 1999 (3), OECD Directorate for Science, Technology and Industry, October 14, 1999. Industry Canada, "Trends in Canada's Outward FDI", October 19, 2000.

³⁴ Sancak 2000: Trends in Canada's Outward FDI. Industry Canada, October 2000.

investment coming to Canada. This prospective growth should, however, be kept in perspective due to the relatively small percentage of total FDI in Canada (1.0%) actually originating in non-NAFTA partners in the Hemisphere.

4.4.2 Investment - Assessment of Likely and Significant Environmental Impacts

103. Investment from the non-NAFTA countries of the FTAA represents only a very small proportion of total foreign investment in Canada. Nonetheless, environmental concerns have been expressed regarding the inclusion of rules on investment in an FTAA accord. These range from broader concerns related to the principles and obligations underlying international agreements on investment in general, to specific concerns linked directly to the FTAA negotiations.

104. Principally, concerns have been raised regarding the language in recent international investment agreements governing the relationship between investors and the states which are Parties to the agreements. Criticism has been focussed on investment dispute-settlement provisions, which, it is argued, incorporate the principle that entities other than the signatories to the agreement can be granted rights but are not bound by any obligations, including obligations to protect the environment. In fact, foreign investors in Canada are bound by the same environmental protection regulations that govern the activities of domestic investors. Canada, as it has done in all previous investment agreements, will preserve its ability to develop and enforce measures in areas of key public policy interests, such as health, public education, social services and culture. Canada will also preserve its ability to protect the environment.

105. There has also been concern expressed that if an expropriation provision identical to the one found in the NAFTA is included in the investment protection provisions of the FTAA it could be interpreted in such a way as to potentially restrict a government's ability to legislate and regulate to protect the environment. This concern is based on the perceived lack of clarity regarding the relationship between the treaty's expropriation obligation and the legitimate exercise of regulatory authority. A standard provision in investment agreements requires Parties to compensate an investor if their investment is expropriated.

106. Canada supports the principle that the FTAA should prohibit expropriations unless it is for a public purpose, non-discriminatory, in accordance with due process and with compensation. Canada considers it important, however, that for greater certainty, the scope of this obligation be clarified. In this regard, Canada has engaged in consultations with NGOs, academics and Canada's legal and business communities as part of the clarification process for investment provisions.

107. Environmental impacts stemming from increased investment flows once an FTAA comes into effect should also be put in perspective. In 1999, 44.2% of investments in Canada (approximately \$404 million) from the countries of Latin America and the Caribbean were in sectors relating to natural resources (non-ferrous metals and primary metal products; iron, steel and their by-products; petroleum and natural gas). However, considering the much larger overall investments in these sectors, the impact of this contribution to the development of Canadian natural resources would have been minimal. For example, total foreign investments in Canada's petroleum and natural gas industry alone during the same year were in the order of \$25 billion.

108. In view of the current trend, a significant economic change in investments from the non-NAFTA countries of the FTAA is unlikely, and any environmental impact is expected to be minor.

4.4.3 Investment - Initial Assessment of Mitigation/Enhancement Options

109. Canada has a clear interest in providing for stability, transparency, predictability, non-discrimination and protection for Canadian companies and individuals that invest abroad, as well as for foreign investors wishing to invest in Canada. Good investment rules make for a positive economic climate, which favours growth and jobs. In negotiating the FTAA, Canada will utilize the experience it has gained from the operation of other international agreements to which it is a party, including the NAFTA. This experience is central to the process of refining Canada's position on all aspects of the FTAA negotiations including investment dispute-settlement mechanisms and expropriation provisions. To ensure a thorough analysis of the issues, a consultation process has been undertaken in order to develop investment provisions that will protect investors and their investments and allow governments to pursue a broad range of measures to protect the environment. As stated above the Canadian government will preserve its ability to regulate in the public interest in sectors such as health, public education, social services and culture. Canada will also maintain its ability to protect the Canadian environment.

110. The environmental impacts on Canada of the FTAA chapter on Investment are expected to be minor. As such, further analysis of the investment section in the Draft FTAA EA will be pursued based on the feedback that emerges out of the stakeholder consultation process.

4.5 Competition Policy

111. Generally, the negotiations on competition policy are aimed at ensuring that the benefits of the FTAA liberalization process are not undermined by anti-competitive business practices. An effectively enforced competition law is considered to be key to addressing anti-competitive business practices. However, the majority of countries in the Americas have yet to implement a competition law or establish a competition authority; many others have only recently done so and have limited experience. To this end, negotiations are to lead to the establishment of competition laws at the national or sub-regional level that prohibit anti-competitive behaviour, as well as to the establishment of institutions to effectively enforce such laws. The negotiations are not aiming to establish an international body of competition law, nor an international competition authority. Rather, any provisions on competition policy are likely to be general in nature and set out guiding principles and criteria for competition that will act as a benchmark for the establishment or maintenance of a competition law and authority at the national or sub-regional level.

112. Canada is seeking a framework for competition policy that would ideally include an obligation to have a competition law, at the national or regional level, which proscribes hard-core cartels, abuse of dominance and anti-competitive mergers, and to have a competition authority with appropriate scope and independence in investigation and decision-making. A framework would also include a commitment to the principles of transparency, non-discrimination and procedural fairness, to be tailored specifically to the field of competition law and policy, provisions for cooperation and exchange of information, and a competition policy review mechanism that will provide for non-binding peer review of the competition policies and practices of countries within the FTAA.

113. Canada is of the view that the general dispute settlement provisions in an FTAA agreement should not be available for review of policies, decisions, and/or actions related to the enforcement of the competition law. However, Canada advocates the establishment of a Committee or Council comprised of representatives from each country in the FTAA region, which could provide a forum for sharing of information and consideration of matters regarding the implementation, operation, application and/or interpretation of the chapter on competition policy.

114. A framework should recognize the importance of technical assistance and information dissemination to facilitate implementation of commitments and to build competition policy capacity and expertise.

115. The FTAA agreement should permit the designation and maintenance of monopolies and state enterprises, but should also put in place appropriate disciplines, such as notification, non-discrimination and acting in accordance with commercial disciplines, to ensure that monopolies and state enterprises do not act as a barrier to the general objective and efforts made toward trade liberalization in the FTAA region. However, any discipline should not apply to monopolies and state enterprises dealing with agri-food products.

4.5.1 Competition Policy - Assessment of Economic Effects

116. Competition laws are intended to provide a transparent and predictable set of principles ensuring greater certainty in markets, both domestic and foreign. They are an essential foundation for investment, trade, job creation, consumer confidence and economic growth and set the stage for Canadian businesses to take advantage of new opportunities in world markets and to attract investment from abroad.

117.No domestic policy changes in Canada are anticipated or foreseen as a result of the chapter on competition policy. Policy changes are anticipated in the non-NAFTA countries in the Americas which have yet to implement a competition law or establish a competition authority. However, these non-NAFTA countries represent only a small proportion of investment and trade as compared to our NAFTA partners. Moreover, any economic impacts in Canada are likely to be only indirectly attributable to the chapter on competition policy and it would be difficult, if not impossible, to identify or measure them.

4.5.2 Competition Policy - Assessment of Likely and Significant Environmental Impacts

118.No expected domestic policy or economic changes directly attributable to the chapter on competition policy have been identified and, therefore, no corresponding environmental impacts are anticipated.

4.5.3 Competition Policy - Initial Assessment of Mitigation/Enhancement Options

119.As there is no significant anticipated environmental impact, there are no identified enhancement/mitigation options to inform the negotiations.

4.6 Intellectual Property Rights

120. Canada's objective in the FTAA negotiations is to ensure that the current international intellectual property rules are fully implemented, rather than to seek an extension of existing intellectual property rights protection. The WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) establishes comprehensive global standards for intellectual property protection largely based on several widely accepted and well established treaties regarding intellectual property. These TRIPS obligations came into effect for developing countries on January 1, 2000. In the FTAA region, this includes all countries but the USA and Canada (which implemented these obligations in 1996). For some of these countries, meeting TRIPS obligations represents a major change in their regulatory regimes.

121. Canada's goals regarding intellectual property within the FTAA are to maintain and support the improvements achieved within the WTO. Ongoing discussions within the FTAA Negotiating Group on Intellectual Property (NGIP) leave open the possibility of further developing intellectual property rules in the Hemisphere, for example, as they relate to new technologies.

4.6.1 Intellectual Property Rights - Assessment of Economic Effects

122. Although specific rights may be transferred through contractual licences, there is no actual trade in intellectual property rights as there is for goods or services. Intellectual property rights are, instead, embedded within tradeable goods and services. Despite the fact that insufficient protection of intellectual property rights may impede or distort trade in goods and services, international intellectual property commitments are not market access commitments. They represent minimum standards for the protection of intellectual property rights. Moreover, given that Canada is not seeking enhanced intellectual property rights commitments, the economic effect of the FTAA is likely minimal.

4.6.2 Intellectual Property Rights - Assessment of Likely and Significant Environmental Impacts

123. As it is expected that there will be minimal economic effects and Canada is mainly seeking to maintain the status quo of intellectual property obligations, there is unlikely to be any significant environmental impact.

4.6.3 Intellectual Property Rights - Initial Assessment of Mitigation/Enhancement Options

124. As there is no significant anticipated environmental impact, there are no identified enhancement/mitigation options to inform the negotiations.

4.7 Services

125. The growth shown over the past two decades in services trade underlines the continued importance of the establishment of a rules-based system to govern trade in services. In the context of the FTAA negotiations, there is consensus that any potential agreement should include a chapter on trade in services. As it currently stands, the draft consolidated services text represents the preliminary proposals made by individual FTAA countries or groups of countries for provisions to be included in a services chapter. These proposals are largely drawn from provisions found in existing trade agreements covering services, such as the WTO General Agreement on Trade in Services (GATS), the NAFTA and other regional or bilateral free trade agreements signed by FTAA countries. Draft provisions are grouped under six categories of issues that have been identified by FTAA countries as forming important components of a potential services chapter:

- **Scope:** Provisions to be developed under this heading are intended to define the general scope to which services provisions would apply. These provisions would also specify what a services chapter would not apply to (for example, governmental services and other services supplied in the exercise of governmental authority). Related to this would be provisions on country-specific commitments and exceptions that countries would file for measures they wish to maintain or for sectors where they wish to maintain policy flexibility, irrespective of the obligations set out in a services chapter;
- **Most-Favoured Nation Treatment:** As in other trade agreements, a services chapter would include a clause requiring non-discriminatory treatment among foreign services providers (subject to the country-specific commitments and exceptions filed by each country);
- **Transparency:** This section would include provisions on the public availability of information regarding measures affecting trade in services, as well as possible notification requirements;
- **Denial of Benefits:** Trade agreements generally include provisions by which a Party may deny benefits to another Party in very specific circumstances;
- **National Treatment:** As in other trade agreements, a services chapter would include a clause requiring foreign services and services suppliers to be treated no less favourably than domestic services and services suppliers (subject to country-specific commitments and exceptions filed by each country);
- **Market Access:** Provisions to be developed under this heading are intended to address specific barriers such as "quantitative restrictions" (e.g., numerical restrictions on the provision of a service, quotas, economic needs tests).

126. In addition to the items mentioned above, the draft consolidated services text includes proposals on issues that have been identified by one or more delegations as those that might be included in a services chapter. To date, such issues have included professional services, institutional matters, and the movement of natural persons. One of the basic principles of the FTAA negotiations is that nothing is agreed to until everything is agreed to. FTAA countries remain free, therefore, to amend these proposals or submit new proposals on any issue. At the current time, the text appears in brackets to show that there is no agreement on any of the language of the various proposals.

4.7.1 Services - Assessment of Economic Effects

127. The FTAA provides an opportunity to obtain better market access in services for Canadian companies. The negotiations are at an early stage, so it is difficult to determine the anticipated economic effects. However, some economic growth in the services sector is anticipated, especially in areas on Canadian expertise, such as telecommunications, financial services and engineering services.

128. The past decades have seen a broad structural shift towards services in the Canadian economy. The measured contribution of services to Canada's GDP increased to 67% in 1999 (the latest year for which this type of data is available) from 57% in 1961, while the corresponding figure for manufacturing fell to 18.7% from 22.4% over the same period. Agriculture, forestry, mining, and other resources-related sectors, which played a significant role in the Canadian economy throughout our history, also experienced similar declines in their relative importance.

129. The transformation of the Canadian economy from a resource and manufacturing base into a services-base has meant many changes in the Canadian labour market. One distinguishing feature of the current structural shift is the importance of knowledge and education for success. Services are on balance more knowledge-intensive than other sectors; therefore, they employ proportionately more well-educated workers than other industries. Workers with post-secondary training accounted for 19.7% of total services employment in 1998, compared to a share of 8.7% for manufacturing, 7.1% for agriculture, and 5.2% for construction. The gains in educational attainment have translated into better earnings or higher standards of living for some groups of people, particularly for those in the knowledge-intensive services sectors.

130. Over the past decade, Canada's cross-border exports and imports of services have risen at a steady pace. As a share of GDP, Canada's services exports rose to 5.2% in 2001 from 3.4% in 1989-92 and 4.4% in 1993-96. Services imports have also expanded faster than GDP; however, the expansion has been more moderate—from 4.9% in 1989-92 to 5.8% in 1993-96 and easing to 6.0% in 2001. The U.S. remains Canada's principal trading partner in services. Services exports to the U.S. accounted for 59.2% of Canada's total services exports in 2001 (compared to 85% for goods), up from 56.1% in 1990; however, the United States' share in Canada's total services imports dropped to 61.8% from 63.4% over the same period.

131. In 2001, Canada's total services export to FTAA countries was \$36.9 billion, of which the U.S. accounted for \$34.6 billion; our total imports from FTAA countries was \$44.6 billion, of which the U.S. accounted for \$40.8 billion. Canada's general objective in the services negotiations is to seek improved market access for Canadian service providers under a transparent and predictable rules-based regime. At this time, it is unclear to what degree further liberalization of services trade will stimulate growth in the Canadian services economy. Canada, as it has done in previous agreements, will preserve its ability to develop and enforce measures in areas of key public policy interests, such as in sectors such as health, public education, social services and culture. Canada will also maintain its ability to protect the Canadian environment.

4.7.2 Services - Assessment of Likely and Significant Environmental Impacts

132. The *Framework for Conducting Environmental Assessments of Trade Negotiations* notes that, "it is difficult (and sometimes impossible) to isolate the environmental impacts of a specific trade agreement from other agreements or from factors external to trade." This is particularly true for trade in services, which unlike trade in goods are not restricted by the use of tariffs and therefore not easily measured. This

Initial EA will help identify some of these impacts, which will then be further analysed in the Draft EA.

133. In most cases, the potential negative environmental effects of a given sector will rise with increased economic activity. Economic growth generally increases the consumption of natural resources such as fossil fuels, and other commodities. The potential for the FTAA to have positive or negative environmental effects will depend on how, and to what degree, the agreement stimulates growth in the economies of the signatories, and to what extent the signatories promote environmental services that can have a positive impact on the environment. There are opportunities for environmentally sustainable growth in most, if not all, of the services sectors addressed by FTAA. This is particularly true in light of the knowledge intensive nature of many of the services sectors, and that technology and innovation may offer significant environmental benefits.

134. Table 1 summarizes environmental possible effects for several of the sectors.

135. However, there are environmental effects common to all service sectors, caused by the day-to-day activities involved in running an office or other service facility and the travel involved for staff to carry out their duties. This includes consumption of energy for heating, lighting and use of vehicles and equipment (resulting in the release of smog-causing contaminants such as nitrogen oxides, sulphur dioxide, carbon monoxide, particulate matter, and greenhouse gases); and production of waste (including paper, refuse, sanitary waste, and chemical by-products from office equipment). Related effects of operating a service industry could include impacts of constructing buildings and other facilities to house the services (resulting in localised soil erosion, loss of wildlife habitat, and production of construction wastes).

136. Comparatively, service industries not associated with the production of goods may have less of an impact on the environment. This may be particularly true for knowledge-based sectors such as telecommunications and professional services. The focus on growth and increasing employment in these sectors is desirable from a sustainable development perspective.

Table 1: Potential (negative and positive) environmental impacts of selected service industries

Service sector	Potential impacts (+ and -)
Consulting	Indirect impacts through influence on client behaviour
Consulting engineering	Technology choice with subsequent impacts from construction and operation
Environmental services	Soil, water and air pollution from waste disposal sites Energy use for waste and water treatment Potential positive impacts from new environmental technologies such as increased recycling, and improved management of wastes, etc.
Financial services	Indirect impacts through influence on client behaviour

Hotels, restaurants and food service	Food and packaging waste/ waste in general Impacts from energy and water use Hazardous material
Other - Professional services (i.e. accounting), computer services, communication services	Use and disposal of hazardous products Impacts from energy and resource use Indirect impacts through influence on client behaviour Waste disposal impacts
Retail sales and distribution Food, consumer goods	Emissions from transportation Impacts from ultimate disposal of goods purchased, including the potential impacts associated with waste and landfill development Potential to influence consumer behaviour – negative impacts from increased consumerism, positive impacts from meeting and contributing to demand for sustainably-produced goods
Tourism	Emissions from transportation Direct or indirect impacts on local environment from construction and operation of facilities Use and disposal of hazardous products for cleaning and maintenance Impacts from water, energy and resource use Indirect impacts through influence on client behaviour

4.7.3 Services - Initial Assessment of Mitigation/Enhancement Options

137. There are various means of environmental protection applicable to all service sectors that could address the common environmental effects described above. These include using fuel efficient vehicles, conserving paper within the office, recycling of various materials, using reusable coffee cups and other containers, and “green procurement” (a corporate policy to use ecologically sound and environmentally-certified products whenever possible). The environmental aspects of routine activities of the service sectors are often addressed by environmental codes of practice. It must also be noted that all foreign service providers conducting business in Canada will be subject to Canadian environmental legislation.

138. The *Framework* states that environmental assessments of trade negotiations should be applied on an agreement-by-agreement basis, and that the scope of analysis should be determined according to the significance of the likely environmental impacts of a specific issue. Taking into account the above, the Draft FTAA EA will assess in greater detail the effects on the Canadian environment of increased market access in those services sectors covered by the agreement. It will examine the precise nature of the likely environmental effects of liberalization in a particular sector, and whether these effects are positive or negative. Further stages of the Services EA will identify what policy options exist in Canada to address negative impacts and to enhance positive impacts. If such policy options do not exist, the EA will attempt to suggest mitigation and/or enhancement options.

4.8 Dispute Settlement

139. An effective state-to-state dispute settlement system between parties to the Agreement is of crucial importance to the success of the FTAA Agreement. Canada's position is that the state-to-state dispute settlement systems in the World Trade Organization (WTO) Dispute Settlement Understanding (DSU) and NAFTA Chapter 20 provide sound models for the Agreement. At the same time, experience with dispute settlement under the DSU and NAFTA has identified room for improvements in both models that Canada will pursue in the FTAA Agreement. It must be noted that the dispute settlement mechanism that forms part of the investor protection provisions is dealt with in the Investment section.

140. Under the dispute settlement model that Canada envisages for the FTAA Agreement, dispute settlement would be commenced by consultations. If a mutually satisfactory resolution of a dispute cannot be achieved through consultations, parties to the dispute could agree to use good offices, conciliation or mediation. If they do not decide to go that route or, having taken it, do not succeed in settling their dispute, the complaining party could require a panel procedure based on exchanges of written pleadings and hearings. This procedure would result in a decision on the merits of the dispute by a neutral panel of adjudicators. Canada is committed to creating an effective dispute settlement system for the FTAA agreement and, to this end, will also explore the possibility of allowing for appellate review of panel decisions. We will also be attentive to opportunities to work closely with negotiating partners to improve, wherever possible, measures designed to encourage compliance with rulings.

141. As most participants in the FTAA Agreement negotiations are also members of the WTO and various regional and bilateral free trade agreements, Canada attaches importance to having clear rules on the choice of forum for trade disputes, which could be settled under more than one agreement. Canada supports transparency in dispute settlement along the lines that it has pursued in the WTO. For example Canada supports making pleadings publicly available and having a more open hearing process. Canadian positions will also take into account lessons learned from the operation of the DSU and will reflect the progress of the Doha round of DSU negotiations currently underway in Geneva.

142. The Canadian position will continue to evolve to reflect experience in the WTO and under NAFTA as well as developments in the negotiation of the institutional provisions and the substantive rights and obligations in the FTAA Agreement.

4.8.1 Dispute Settlement - Assessment of Economic Effects

143. While economic effects will flow from other elements of the FTAA Agreement (e.g., improved access for goods and services), the inclusion of dispute settlement provisions in the FTAA *per se* is expected to have minimal economic effects.

144. At present the draft consolidated text of the FTAA Agreement includes only provisions for the settlement of disputes among parties to the Agreement. The effect of the dispute settlement provisions on the environment will be largely a reflection of the substantive rules established in the free trade agreement. An effective dispute settlement mechanism will provide the parties with the means to promote compliance with the provisions of the Agreement, including any related to the protection of the environment. Generally, Canada favours increased transparency of the dispute settlement system in the FTAA so that environmental and other interested groups are able to obtain and assess information concerning the dispute settlement process and individual disputes. The dispute settlement system proposed for the FTAA has

provisions for experts who can assist panels with technical questions - this would include environmental experts as well as other subject matter experts.

4.8.2 *Dispute Settlement - Initial Assessment of Likely and Significant Environmental Impacts*

145. As the dispute settlement obligations of the FTAA Agreement, *per se*, are unlikely to have any significant economic effect, they are unlikely to have any direct environmental impact either.

4.8.3 *Dispute Settlement - Initial Assessment of Mitigation/Enhancement Options*

146. Although the direct environmental impact of the dispute settlement provisions is expected to be negligible, dispute settlement will make an important contribution to giving effect to the balances struck in the Agreement between trade liberalization and environmental protection or other important public policy objectives.

4.9 Subsidies, Anti-dumping and Countervailing Duties

147. Canada's position in the Negotiating Group on Anti-dumping and Countervailing Duties (NGADCV) is to seek improvements, where appropriate, to existing WTO rules/disciplines governing the operation of trade remedy laws, while ensuring the continued effectiveness of these laws in responding to the injurious effects of foreign dumping and subsidy practices. Canada's position is that, except as otherwise provided in this draft consolidated Chapter of the NGADCV of the FTAA Agreement, the WTO Agreement should continue to govern subsidies and the application of anti-dumping and countervailing duties in respect of hemispheric trade. Canada is of the view that many of the issues addressed by these proposals are more appropriately dealt with in the broader WTO forum given, for example, that anti-dumping and countervailing duty investigations often involve imports from both FTAA and non-FTAA countries and the impracticality of applying different sets of rules in the same investigation. That said, the FTAA negotiations afford an opportunity to clarify and make certain improvements to the operation of current trade remedy rules in the hemisphere, such as:

- The introduction of greater transparency and procedural fairness in anti-dumping and countervailing duty investigations;
- The adoption by all FTAA countries in their national laws of a procedure to allow for the consideration of broader public interests that may arise in the particular circumstances of an anti-dumping or countervailing duty investigation, (e.g., relating to domestic competition concerns and the impact of anti-dumping and countervailing duties on consumers and downstream industries);
- The adoption by all FTAA countries of a "lesser duty" option in the context of public interest proceedings;
- The clarification of anti-dumping and countervailing duty enforcement requirements in order to reduce uncertainty as to importers' final duty liability; and
- An appropriate and effective mechanism for the timely resolution of FTAA disputes.

148. Subsidy disciplines generally may be considered a win-win mechanism from both a trade and environmental perspective. Subsidies, insofar as they encourage excess or inefficient production, lead towards inefficient allocation of resources with resulting adverse economic, trade and environmental consequences. Reducing government subsidies may, therefore, in some cases, lead to a reduction in inefficient production with resulting environmental benefits in the form of reduced resource inputs and environmental pollution associated with production and distribution. However, the extent of the impacts on the environment will depend on the existence of appropriate environmental policies and regulations, and whether existing environmental policies and regulations are serving to mitigate those impacts.

149. A number of studies are addressing the issue of linkages between government financial transfers and the environment. Of interest is the work of the OECD on linkages between subsidies/support measures and the environment in certain sectors. While this work refers to subsidies/support measures in a broader context than is relevant in the context of the WTO rules or what is expected from the FTAA, it confirms that reductions in subsidies/support measures may lead to efficiency gains, meaning, amongst other things, a more efficient use of resources.

150. Dumping (i.e., export sales at prices below home market prices or below the cost of production of the goods) by foreign producers may be an indication of global overcapacity or the need for industry adjustment. To the extent that anti-dumping measures limit subject exports, they could serve to accelerate such adjustment requirements, which could have positive environmental impacts in terms of reducing

inefficient capacity and thus an over-utilization of resources. On the other hand, frequent recourse to anti-dumping protection results in sheltering producers and providing a disincentive to making investments in productivity improvements and adapting to changing market circumstances. Both these circumstances suggest that a clarification of the rules to limit the abuse of anti-dumping measures while maintaining the effectiveness of these measures to address injurious dumping will strike an appropriate balance with respect to environmental impact.

4.9.1 Subsidies, anti-dumping and countervailing duties - Assessment of Economic Effects

151. The economic impact of the FTAA negotiations on trade remedies is expected to be minimal, but may result in a more efficient use of resources. As there are already existing agreements covering these issues in the WTO (the Agreement on Subsidies and Countervailing Measures; and the Anti-dumping Agreement), the impact will only be relevant to the extent that incremental changes resulting from the negotiations will affect subsidies/support or anti-dumping measures in a different manner than the existing agreements

4.9.2 Subsidies, anti-dumping and countervailing duties - Assessment of Likely and Significant Environmental Impacts

152. While the NGADCV negotiations are not expected to have an appreciable environmental impact, to the extent to which incremental improvements to WTO rules/disciplines contribute to the removal of unjustified barriers to trade in the hemisphere, they should lead to a more efficient utilization of resources. Any changes to the WTO Agreement on Subsidies and Countervailing Measures itself will be reflected in future analysis of the NGADCV negotiations.

4.9.3 Subsidies, anti-dumping and countervailing duties - Initial Assessment of Mitigation/Enhancement Options

153. As no significant environmental impacts are anticipated, no mitigation/enhancement options have been identified.

5. Conclusion

154. This Initial environmental assessment provides a preliminary analysis of the likely environmental impacts from the expected trade liberalization resulting from the successful negotiation and implementation of a Free Trade Area of the Americas. The purpose of this report has been to identify the likeliness and significance of any potential environmental impacts on Canada. It is not intended to address environmental impacts in other countries. The results of this report, as well as the feedback received on it, will help determine the scope of the more detailed Draft EA. It must be noted that due to the unpredictability of trade negotiations, much of the current analysis is based on assumptions. Should these assumptions not hold, then further analysis will be necessary at later stages. The analysis was undertaken on a sectoral basis for each of the nine Negotiating Groups: market access; agriculture; services; government procurement; investment; competition policy; dispute settlement; intellectual property rights; and subsidies, anti-dumping and countervailing duties.

155. In order to analyse the effects of increased trade of goods (both industrial and agricultural) as a result of the FTAA, the scope of the exercise has been limited to include only those 25 countries in the FTAA with which Canada will not already have a free trade agreement in place by the time of implementation of the FTAA (ie the U.S., Mexico, Chile, Costa Rica, and the Central America Four, are not included in the analysis in the Market Access and Agriculture sections). The analysis has determined that because the share of Canada's trade in goods with these 25 countries is either marginal or is already enjoying very low tariffs, it is unlikely that there will be any significant environmental effects on Canada. Moreover, sound domestic environmental policies are likely to mitigate any negative impacts of increased trade agricultural and non-agricultural goods due to the FTAA.

156. An investment chapter is likely to facilitate Canadian investment abroad by creating certainty and reducing the risk for investors, but it is unlikely to significantly increase investment in Canada. Therefore, it is unlikely that there will be any significant environmental impact in Canada as a result of the changes in investment flows. As with any trade agreement, Canada will retain its ability to protect the environment and other key areas of policy.

157. In some sections, such as government procurement and trade in services, it is particularly difficult to anticipate the results of the FTAA negotiations. A chapter on government procurement is likely to increase market access for Canadian companies, but only in specific product and service sectors. The results of the trade in services negotiations of the FTAA will depend to a large extent upon the WTO General Agreement on Trade in Services (GATS) negotiations. Effective legislation will likely be able to mitigate any negative impacts of agreements in these two sectors.

158. The remaining sections, i.e. competition policy; dispute settlement; intellectual property rights; and subsidies, anti-dumping, and countervailing duties, will not likely have a direct effect of increasing trade. The negotiations are intended to facilitate trade by creating a consistent set of rules for all participants. The inclusion of such chapters is unlikely to have a significant environmental impact on Canada.

159. It must be again noted that this Initial EA is a cursory analysis. Many of these issues will be examined again in the Draft EA, which will provide negotiators with a much more thorough look at the potential environmental impacts of the FTAA. Comments received will help determine to what extent these issues

will be revisited. At this stage the Government of Canada welcomes any input or suggestions³⁵ on how to make this analysis as accurate and pertinent as possible, so that Canadians can most benefit from the FTAA.

³⁵ Contact information may be found on the inside jacket of this document.

STATISTICAL APPENDIX

Appendix 1: Trade Flows Between Canada and FTAA Countries, excluding NAFTA, Chile, Costa Rica and the CA-4, 2001

Partner Groups/Country	Canada's Imports from: 2001			Canada's Exports to:2001			Two-way Trade Flows Value (million of Can\$)
	Value (millions of Can\$)	Global Share (%)	Share FTAA (excl.)%	Value (millions of Can\$)	Global Share (%)	Share FTAA (excl.)%	
Mercosur	2,022.3	0.59	39.56	1,073.2	0.27	34.18	3,095.5
- Argentina	350.0	0.10	6.85	132.1	0.03	4.21	482.1
- Brazil	1,530.8	0.45	29.95	914.7	0.23	29.13	2,445.5
- Paraguay	3.3	0.00	0.06	6.6	0.00	0.21	9.9
- Uruguay	138.1	0.04	2.70	19.9	0.00	0.63	158.0
Andean Community	2,164.8	0.63	42.35	1,512.3	0.38	48.17	3,677.1
- Bolivia	10.5	0.00	0.21	15.3	0.00	0.49	25.8
- Colombia	415.5	0.12	8.13	360.5	0.09	11.48	776.1
- Ecuador	134.1	0.04	2.62	134.7	0.03	4.29	268.7
- Peru	251.4	0.07	4.92	191.2	0.05	6.09	442.6
- Venezuela	1,353.3	0.39	26.47	810.7	0.20	25.82	2,163.9
CARICOM	818.7	0.24	16.02	403.9	0.10	12.86	1222.6
- Ant. & Barb.	0.3	0.00	0.01	10.7	0.00	0.34	11.0
- Bahamas	13.8	0.00	0.27	29.8	0.01	0.95	43.6
- Barbados	9.1	0.00	0.18	31.5	0.01	1.00	40.6
- Belize	3.7	0.00	0.07	3.6	0.00	0.11	7.3
- Dominica	0.8	0.00	0.02	2.8	0.00	0.09	3.6
- Grenada	1.0	0.00	0.02	3.2	0.00	0.10	4.3
- Guyana	209.5	0.06	4.10	8.3	0.00	0.27	217.8
- Haiti	10.8	0.00	0.21	26.9	0.01	0.86	37.7
- Jamaica	324.7	0.09	6.35	96.2	0.02	3.06	420.8
- St. Lucia	0.2	0.00	0.00	10.2	0.00	0.33	10.5
- St.Kitts-Nevis	6.1	0.00	0.12	16.5	0.00	0.53	22.7
- St.Vinc.-Gren.	0.3	0.00	0.01	4.1	0.00	0.13	4.4
- Suriname	54.0	0.02	1.06	6.1	0.00	0.19	60.1
- Trinidad Tob.	195.1	0.06	3.82	180.8	0.04	5.76	375.9
Other Countries							
- Dom. Rep.	95.5	0.03	1.87	103.4	0.03	3.29	198.8
- Panama	10.4	0.00	0.20	46.8	0.01	1.49	57.2
FTAA (excl. FTA partners)	5,112	1.49	100.00	3,139.5	0.78	100.00	8,251.3
FTAA (all countries)	236,718			357,181.9			593,900
World	343,003			402,296			745298

source: Statistics Canada