

# **International Trade Policy: A Primer**

A discussion paper prepared for  
Status of Women Canada

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This document expresses the views and opinions of the author and does not necessarily represent the official policy or opinion of Status of Women Canada or the Government of Canada.

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# Foreword

In the global economy of the 21<sup>st</sup> century, the importance of trade liberalization to Canada has never been clearer. Exports account for 45.6 percent of our gross domestic product. Everyday Canada does over \$2.5 billion worth of business in two-way trade with the rest of the world.

Increasing the amount of goods and services we trade, and reaping the commercial and financial rewards, is certainly a desirable goal of trade liberalization. An equally important objective however, is to contribute to a better quality of life for Canadians and our neighbors around the world.

As we document our record of trade success we must be mindful of the challenges. In designing the trade policy of the future, transparency, engagement, discussion, research and analysis must be part of the process.

This is one of three discussion papers commissioned by Status of Women Canada in the year 2000. The objective is to begin to explore some of the key issues relating to the differential implications and impact of international trade agreements on women and men. It also aims to examine issues of representation and participation of women in the development of international trade policy.

The first paper, entitled *Women and Trade in Canada: An Overview of Key Issues*, provides a brief synopsis of recent trade liberalization processes, and begins to identify key trade issues and their implications for Canadian women.

The second paper, entitled *International Trade Policy: A Primer*, discusses the concepts and evolution of trade rule-making and provides an overview of a number of trade agreements to which Canada is a party. This could be a useful tool for those who are just becoming interested in the development of international trade policy.

The third paper, entitled *International Trade: Putting Gender Into the Process: Initiatives and Lessons Learned*, examines domestic consultative mechanisms for the development of international trade policy, and reviews efforts taken by different actors to integrate gender issues into international trade negotiations both nationally and internationally.

Status of Women Canada is supporting further knowledge building on international trade. In August 2001, the Policy Research Fund of Status of Women Canada issued a call for proposals on the theme *Trade Agreements and Women*. It is hoped that these discussion papers and future policy research through the Policy Research Fund mark important first steps on the path to more transparent trade policy development, with outcomes that support women's economic empowerment, security and autonomy.

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# The Importance of Trade

## *Why Do Economists Like Free Trade?*

One of the very few things that economists agree upon is that free trade improves economic welfare. It allows countries with small markets to take advantage of the larger international market to achieve economies of scale in production and improve their competitiveness.

The basic theory that underlies the economic argument for freer trade is the axiom of Comparative Advantage, coined by David Ricardo in the early 19<sup>th</sup> century. According to Ricardo, it pays for countries to trade because they all have different capabilities and characteristics. If countries specialize in the production of what each does best and trade with each other, total world production will increase and countries will become more prosperous.

The largest economic gains from trade occur on the consumer side. Access to a broader range of goods and services at the most competitive prices makes consumers more content and financially better off. Consumers should be able to save money if trade barriers are removed. These savings can then be devoted to more productive uses in the economy – investment or further consumption.

Free trade should also weaken the hold of local monopolies and oligopolies on the consumer. Countries often have too small a market to support more than one competitor in key economic sectors. The threat of competition from foreign suppliers can keep domestic firms in check. In the case of monopolies that are created by domestic regulation, trade agreements can require that domestic regulatory barriers be relaxed, thus opening the market to more competition.

Trade flows induce investment, which in turn encourages technology transfer and increases productivity. Over the past decade, foreign direct investment throughout the world has grown faster than both international trade and Gross Domestic Product (GDP). Membership in a trade pact is often an important factor in assuring foreign investors that a country is a stable location for investment.

## *Is This Just Economic Theory?*

The link between economic prosperity and trade is borne out in reality, as measured by changes in GDP<sup>1</sup>. Countries that are more open to trade tend to experience the highest rates of economic growth. A study by Jeffrey Sachs and Andrew Warner found that over the 1970s and 1980s, developed open economies grew by 2.3 per cent per year compared to a 0.7 per cent growth rate for closed economies. The results for developing countries were even more dramatic. Closed economies grew by 0.7 per cent whereas open developing economies recorded an average annual growth rate of 4.5 per cent.<sup>2</sup>

World trade has grown 16-fold since 1950, a far greater increase than the growth in GDP over the same time period. Membership in the World Trade Organization now stands at 141 countries with more queuing up to join, including the economic heavyweights, China and Russia.

### ***Is Trade Only About Economics?***

Obviously, trade involves a lot more than economics. It is also an integral part of a broader socio-economic agenda – within nations and across national boundaries. With new issues now covered by trade negotiations (e.g., services, intellectual property, investment, competition, procurement), international trade is increasingly about domestic policy-making – and includes areas considered within the purview of social policy (e.g., health and education).

Trade agreements also provide an opportunity for countries to share ideas, technology and best practices, and to work together towards common goals. There is much debate about the benefits of trade agreements like the WTO and the North American Free Trade Agreement (NAFTA) on environmental management, cultural diversity and citizenship entitlements. However, there is little argument that membership in a trade pact provides countries with the chance to interact more fully in global decision-making in a host of important areas. The fact that dozens of countries, including many from the developing world, are willing to submit to the rigorous conditions of WTO accession suggests that they place a high value on membership.

### ***What Has Trade Done for the Canadian Economy?***

Our small market and challenging climate has meant that Canada has always been highly integrated with the world economy. Exports now account for over 40 per cent of Canada's GDP, making us roughly four times more trade-dependent than the United States and almost three times more trade-dependent than Japan. Canada is the most trade-oriented country in the G7/8.

Canada sells more to the U.S. than any other country does, by a wide margin. Canada's exports of goods to the U.S. increased from \$149 billion to \$242 billion between 1993 and 1998. Imports from the U.S. amounted to \$234 billion in 1998.



# The Evolution in Trade Rule-Making

## *How Has Trade Rule-Making Evolved Over the Years?*

The general business of trade liberalization has changed profoundly in the past decade and a half. This change goes a long way towards explaining why trade has become both an important public policy issue and a highly charged matter for public debate.

For the most part, early rounds of General Agreement on Tariffs and Trade (GATT) negotiations were exceedingly dull affairs conducted far from the public eye and attracting almost no attention. The first five sets of negotiations addressed only tariff reduction. Non-tariff issues were added only gradually in the 1960s and 1970s. Contentious sectors like agriculture were hardly broached at all.

As a result of successive rounds of tariff reduction over the years, the “easy” part of trade liberalization is virtually complete. Most goods travel across most borders at zero or fairly low tariffs.<sup>3</sup> Progress was made in reducing non-tariff barriers such as technical standards facing industrial goods.

Notwithstanding the achievements at the multilateral level, world trade is far from free. Part of the reason is that technological and communications advances have vastly expanded the range of items that can be traded. Trade in services, for example, has increased at a sharp pace over the past decade. Regulatory barriers, not tariffs, impede the free flow of services, investment and other areas of the new trade agenda.

As a result, recent trade negotiations have been forced to deal with what Canadian trade expert Sylvia Ostry has termed “systems friction.” This friction develops during difficulties in reconciling domestic policies in such diverse areas as environmental, labour and industrial standards, and in procurement, competition and investment regulation. There are pressures to harmonize domestic regulatory policies across countries in order to minimize trade conflicts.

Canada’s first real taste of “systems friction” came with our bilateral trade negotiations with the United States in the 1980s. The Canada–U.S. Free Trade Agreement (CUSFTA) went well beyond the scope of the GATT agreement to address entirely new areas of trade. The Uruguay Round of multilateral negotiations culminated in the World Trade Organization agreements of 1994. As with the NAFTA, the WTO addresses investment, intellectual property, and services and brings into play complicated environmental, social and labour matters.

Trade negotiations now tend to be more about the way governments regulate industries, administer social and environmental standards and protect their citizens’ health and safety than they are about tariffs and other border measures. It is hardly surprising, then, that people are beginning to care very deeply about how trade negotiations are conducted and trade disputes resolved.

# Trade Agreements and Negotiations

## *Canada is a Member of Which Trade Agreements?*

Canada has many overlapping trade commitments by virtue of our membership in many different trade and investment agreements. In addition to being a founding member of the General Agreement on Tariffs and Trade, the precursor to the World Trade Organization, Canada is a member of the North American Free Trade Agreement along with the U.S. and Mexico. In addition, Canada has bilateral free trade agreements with Israel and Chile. It bears noting that Canada's position in the international trade sphere is out of proportion to our economic size. We are a highly influential member of the WTO largely because of the contributions made over the years by a succession of Canadian trade policy officials. In the jargon of boxing, our good reputation has allowed us to "play above our weight."

## *Is Canada Currently Involved in Any Trade Negotiations?*

The creation of a trade pact does not mean the end of negotiations, since trade agreements are continually being revised and extended. For example, negotiations are currently underway at the multilateral level to improve WTO rules governing services, agriculture and intellectual property. Working groups established under the NAFTA are discussing changes to that agreement.

Canada is also engaged in negotiations aimed at creating the Free Trade Area of the Americas (FTAA) and is working towards an agreement with the European Free Trade Association (EFTA). In addition, Canada is a member of the Asia-Pacific Economic Cooperation (APEC) forum, which encompasses trade liberalization. More recently, Canada has indicated an interest in entering into free trade negotiations with Costa Rica.

## *Why So Many Trade Agreements?*

As a "middle" power in the world economic scene, and one that is highly dependent on exports to the U.S., Canada has much to gain from rules-based trading arrangements. Trade agreements that contain clear and fair rules make things more predictable for Canadian exporters and importers. Moreover, they lessen the likelihood of another country acting in a capricious and arbitrary fashion.

It is not always easy to make sense of our obligations under the various trade agreements. An obvious question is why Canada would not be content with its membership in the multilateral WTO agreement. Why would we enter into separate regional bilateral or plurilateral agreements, especially when the other members of these trade pacts might well be WTO members themselves?

The answer is that regional agreements can yield substantial strategic benefits. It is often possible to achieve a greater degree of liberalization in a smaller forum, such as with the U.S. and Mexico under the NAFTA.

Membership in smaller trade pacts can also give Canadian exporters and investors an advantage in certain markets like Chile and Israel. Regional trade negotiations can also move the general process of trade liberalization forward in “down times” such as the periods between WTO rounds. Finally, regional agreements can provide an opportunity to experiment with new approaches to trade liberalization. If the ideas work, they can be applied in a broader forum like the WTO.

## **The Multilateral Forum: the General Agreement on Tariffs and Trade (GATT) and the World Trade Organization (WTO)**

### ***How Did it All Begin?***

The origins of the WTO date back to the end of the Second World War. An International Trade Organization was proposed as the third pillar of international institutions aimed at promoting post-war economic recovery. The two other institutions, the World Bank and the International Monetary Fund, were created in 1947. However, the U.S. Congress, in a pique of protectionism, blocked the creation of an international trade body. It was not until 1994, at the culmination of the Uruguay Round of multilateral trade negotiations, that the third pillar was finally added.

Although thwarted in their efforts to create an international trade organization with solid legal and institutional support, twenty-three countries, including Canada and the U.S., agreed to become signatories to the GATT in 1947.

### ***What Were the GATT's Guiding Principles?***

The objective of the GATT was to foster the improvement in living standards that comes when trade flows smoothly, freely, fairly and predictably.

The GATT enshrined the basic concept of non-discrimination that continues to underpin all successive trade agreements; namely, that imports from another member country be treated no less favourably than if they originated within the host country. The non-discrimination axiom, which was embodied in the GATT's Most-Favoured-Nation (MFN) and National Treatment (NT) principles, gave member governments latitude to pursue the domestic policies of their choosing. However, governments must apply their programs and regulations in a way that does not discriminate against the goods or services of other members.

There were eight rounds of trade negotiations under the GATT over the 1947 to 1986 period. The earliest rounds addressed only tariff reductions. Over time, other issues were added, like antidumping, product standards, subsidies and government procurement. In the end, the GATT covered a tangled web of some 60 agreements and was badly in need of an overhaul.

### ***How does the WTO Differ from the Old GATT?***

The very idea of the WTO was proposed by Canada as part of the Uruguay Round of trade negotiations. The notion was to consolidate existing trade agreements into an overall entity with improved institutional support and a superior dispute settlement system.

There are now 141 members of the WTO. Some 30 countries, including Russia and China, are negotiating to accede to the organization, which covers roughly 90 per cent of world trade.

The WTO encompasses about 60 agreements. The agreements, which are listed in Appendix I, vary greatly in terms of importance and complexity. The most significant agreements are those that pertain to vast areas of world trade – such as trade in goods and trade in services – or that are groundbreaking in that they introduce trade disciplines to relatively uncharted areas. This is the case for the agreement governing intellectual property, for example. Some agreements are notable for establishing a framework for further liberalization while leaving the development of meaningful rules to future sets of trade negotiations. The agreements on agriculture and trade-related investment measures are two such examples.

The most significant WTO agreements are the following:

- the General Agreement on Tariffs and Trade (GATT) addresses trade in goods and includes annexes covering specific sectors such as agriculture and textiles. The GATT also contains rules for addressing trade impediments such as subsidies, state trading and antidumping;
- the General Agreement on Trade in Services (GATS) extends the same principles that apply to trade in goods to the service sector. It also includes a schedule of individual commitments by members to open specific service industries to foreign competition;
- the Agreement on Trade-Related Intellectual Property (TRIP) sets out rules for trade-related aspects of intellectual property such as patents, copyright and trademarks; and
- the Dispute Settlement Understanding (DSU) details procedures to be followed in the event of trade disputes.

With some minor exceptions, all WTO members are bound by the requirements of the organization's roughly 60 separate agreements and have ratified them in their parliaments.<sup>4</sup> This is different from the situation under the GATT where many of the sub-agreements pertained to only some of the GATT members.

### ***What are the WTO's Functions?***

The WTO is a member-driven organization. Its rules, or agreements, are the result of negotiations between its member countries. By virtue of these agreements, members consent to operate a non-discriminatory trading system that sets out their rights and obligations in a transparent fashion. In return for receiving a guarantee that their exports will be treated fairly and

consistently in other members' markets, members promise to do the same for imports into their own markets.

The WTO has five basic functions:

- administering trade agreements;
- acting as a forum for trade negotiations;
- handling trade disputes;
- reviewing national trade policies through its Trade Policy Review mechanism;
- providing developing countries with technical trade policy assistance and training programs; and
- negotiating with other international organizations like the World Bank, the International Monetary Fund and the International Labour Organization.

### ***What is the Significance of the WTO's Dispute Resolution System?***

Countries bring disputes to the WTO if they believe their rights under the agreements are being violated by another member. The system encourages countries to settle their disputes through consultation, and many do. Failing that, dispute resolution follows a carefully proscribed set of procedures that includes a hearing by a specially appointed panel of experts and the chance to appeal the ruling on legal grounds.

The WTO's system for handling disputes is much more effective than the GATT's. Under the GATT, countries could simply ignore decisions made by dispute settlement panels. Even Canada did so on occasion. As a result, countries often did not bother to take trade disputes to a GATT panel since, even if they won, there was no guarantee that anything would change.

The WTO system makes panel and appellate body decisions binding. Countries with practices found to be inconsistent with their WTO obligations must bring their measures into conformity or face the prospect of WTO-sanctioned retaliation or financial penalties.

The WTO dispute settlement system has been heavily used. Whereas the GATT generally handled six or seven cases a year, the WTO has dealt with nearly 200 cases since 1995 (about 150 distinct matters). Many of its "successful" results were obtained through settlement.

### ***What is the WTO's Institutional Machinery?***

In terms of formal structure, the WTO's top decision-making body is the Ministerial Conference, which meets once every two years. WTO "ministerials" are used as an occasion to launch new areas of trade negotiation or to formalize negotiating results into new agreements. The first ministerial conference was held in Singapore in 1996, the second in Geneva in 1998. The most recent one, which had been widely expected to formally launch the Millennium Round of trade negotiations, was held in Seattle in December 1999.

Next in the decision-making hierarchy is the General Council, which is comprised of ambassadors and heads of delegation. It meets several times a year in Geneva as the General Council or as the Trade Policy Review Body and the Dispute Settlement Body.

The Goods Council, Services Council and Intellectual Property Council all report to the General Council. The individual councils are comprised of representatives from member countries.

The WTO also has a number of specialized committees, working groups and working parties that are concerned with individual agreements. Among the other matters they address are issues related to trade and the environment, development, membership, regional trade agreements, investment and competition policy.

The WTO Secretariat has roughly 500 staff members. It has no decision-making function but supplies technical support to the various councils, committees and ministerial conferences as well as to dispute settlement bodies. Its responsibilities also include providing technical assistance to developing country members.

The current Director General of the WTO is Michael Moore, a former New Zealand prime minister and trade minister. The Director General is appointed for a six-year term. However, when the previous Director General's term expired in 1999, members were unable to agree on a replacement. Hence, an arrangement was made to split the term in two parts, with Michael Moore holding office for the first three years and former Thai Deputy Minister Supachai Panitchpakdi serving for the remainder.

### ***Is the WTO's Leadership Structure Likely to Survive?***

Strictly speaking, the WTO's decisions should be made by the entire membership, and usually by consensus. In practice, however, the "Quad", comprising the world's largest trading nations (the U.S., the European Community, Japan and Canada), has played a critical role in decisions made with respect to the WTO and world trade in general. The Quad's influence is expected to diminish in the future as a result of concerns expressed by developing countries and civil society about the WTO's decision-making process.

The awkward hierarchy of Ministerial Conference, General Council, individual councils and committees came under criticism in the wake of the Seattle Ministerial. Suggestions have been made to create a body that bridges the gap between the large and rather unwieldy General Council, which includes all members, and the more efficient but exclusive smaller groupings. One idea would be to have a guiding council or committee comprised of members from both developed and developing countries setting the direction for the organization.

The WTO has also been criticized for its lack of transparency. Representatives of civil society and smaller member countries favour opening the activities and decisions of the General Council and committees to more intense scrutiny. Further, concern has been expressed about not allowing outsiders to observe or participate in dispute settlement proceedings.

Since dispute settlement panels rule on issues of considerable importance to domestic governments, many believe people not directly involved in the disputes at issue should at least be able to monitor the proceedings, if not make submissions.

### ***Where Do Multilateral Negotiations Now Stand?***

WTO members failed to reach a consensus at the Seattle Ministerial on launching a comprehensive new round of trade negotiations. Because of timetables mandated in the WTO Uruguay Round Agreements, trade negotiations had to be undertaken in some areas prior to 2000. It was hoped that a comprehensive round could be initiated to provide scope to make trade-offs. This would have made it easier to achieve breakthroughs in tough areas of negotiation.

Following Seattle, the Director General announced that talks would commence in agriculture, services and intellectual property to comply with the requirements of the mandated “built-in agenda” from the Uruguay Round.

Currently, there is little appetite for or prospect of ambitious progress. Members are deeply divided over agriculture, with the European Union and Japan resisting proposals to eliminate farm subsidies and Europe vehemently opposed to constraints on governments’ ability to regulate in the food health and safety area. Countries such as Canada, Australia and the U.S. see agricultural trade reform as a high priority.

Other areas of contention break down more along developed/developing country lines. These include intellectual property, investment, labour, and environmental standards. Domestic constituencies in the developed world favour the inclusion of labour, social and environmental standards in trade rules. Developing country members view this as an attempt to diminish their competitive advantage.

In short, little progress is expected on the multilateral trade front for the next two to three years. Not only are members split on how to tackle important negotiating areas, but the protests in Seattle sent a clear message to governments that citizens are nervous about globalization and the prospect of further integration. Without political support at home, governments might well find it difficult to press hard for trade liberalization.

## **The North American Forum: the Canada-United States Free Trade Agreement (CUSFTA) and the North American Free Trade Agreement (NAFTA)**

### ***What Were the Origins of the Canada–U.S. Free Trade Agreement (CUSFTA)?***

The idea of free trade with the United States dates as far back as the *Reciprocity Treaty* of 1854, an arrangement that was abrogated by the U.S. Free trade was proposed on many subsequent occasions, including by Prime Ministers Macdonald and Laurier, but it could never garner sufficient political support to be enacted on a comprehensive basis.

All that was accomplished were agreements to remove tariffs in selected sectors: agricultural implements (in the 1920s), defence equipment (in the 1940s) and motor vehicles (in the 1960s).

The CUSFTA's nascence began with the 1982-83 federal government review of trade policy.<sup>5</sup> Among its recommendations, the review suggested that Canada pursue bilateral negotiations with the U.S. aimed at eliminating trade barriers in specific sectors of the Canadian economy. The objective was to create a series of trade agreements modelled on the 1965 Canada–U.S. Autopact.

The trade policy review spurred a public debate on the merits of a bilateral trade pact. The issue became a major focus of the Royal Commission on the Economic Union and Development Prospects for Canada, which conducted its research and public hearings over the 1983 to 1985 period. The Commission recommended in November 1984 that Canada pursue comprehensive free trade negotiations with the U.S., with Commission Chairman Donald Macdonald calling the idea “a leap of faith.”

The Conservative government, newly elected in September 1984, put free trade high on its policy agenda. In January 1985, the release of the government policy document, *How to Secure and Enhance Canadian Access to Export Markets*, and the call by the Business Council on National Issues to undertake formal negotiations with the U.S. catapulted the issue to the political forefront. It was at the Shamrock Summit, held in Quebec City in March 1985, that the Canadian Prime Minister and U.S. President agreed to work towards the broadest possible means for liberalizing trade. The actual negotiations commenced in May 1986 and ended in October 1987.

Canada's theatrical and tenacious chief negotiator Simon Riesman made front page news in this country almost daily over the 18-month negotiating period. The intrigue and suspense were further heightened when talks broke down at the end of the U.S. negotiating schedule and had to be salvaged at the highest political level. The free trade debate captured the attention of the entire country and was the key issue in the 1987 federal election.

The agreement was signed on January 2, 1988 and came into force on January 1, 1989.



### ***What is the Scope of the CUSFTA?***

The scope of the Canada–U.S. Free Trade Agreement extended much further than any other trade agreement that existed at the time, even in Europe.<sup>6</sup>

The CUSFTA embraces the two most fundamental GATT principles:

- *Most-Favoured-Nation* (which obliges parties to treat each other no less favourably than they would other trading nations); and
- *National Treatment* (which gives parties latitude to pursue the domestic policies of their choice. However, the policies and regulations must be applied in a way that does not discriminate against the goods or services of other members).

The CUSFTA incorporates GATT principles but goes beyond the multilateral agreement that existed at the time. While the GATT dealt primarily with goods, and for the most part left certain goods-producing sectors like agriculture outside its scope, the CUSFTA includes rules for services, investment and other important sectors. Most importantly, the CUSFTA includes an effective and binding dispute settlement system, something the GATT lacked.

The CUSFTA contains 21 chapters, the most important of which are summarized below:

- *Chapter 3 - Rules of Origin:* The CUSFTA's rules-of-origin provisions establish the conditions for goods to be considered North American in origin and therefore entitled to tariff-free treatment when traded bilaterally. Rules of origin are critically important to certain Canadian industries, notably automobile and clothing producers.
- *Chapter 4 - Border Measures:* The CUSFTA eliminates tariffs on goods traded between Canada and the U.S. beginning in January 1989 and according to a timetable that depends on the product. With the exception of certain food products, no tariffs remain on goods traded between the two countries .
- *Chapter 7 – Agriculture:* From today's vantage point, the CUSFTA provisions on agriculture look rather unambitious. However, when they were introduced, they represented a major improvement over the rules contained in the GATT. The CUSFTA calls for the elimination of export subsidies on agricultural goods and the removal of tariffs. Canada's supply management programs are not affected by the Agreement.
- *Chapter 9 – Energy:* The most contentious provision of Chapter 9 is that it commits the countries to share energy products on a proportionate basis with the other in the event of a shortage. Essentially this is a reaffirmation of commitments already made in the GATT and the OECD's International Energy Agency. The CUSFTA also limits the ability to impose export taxes or institute minimum prices for energy products.
- *Chapter 10 - Automotive Products:* Canada–U.S. trade in motor vehicles will continue to be governed by the provisions of the Autopact. This chapter provides the basis for calculating North American content for the purpose of qualifying for duty-free treatment. It also closes the Autopact to new members.

- *Chapter 13 - Government Procurement:* The CUSFTA opens government procurement of goods to foreign competition above a certain contract threshold. It also obliges governments to be more transparent in their bid tendering and evaluation procedures and opens government procurement decisions to the possibility of bid challenge. The CUSFTA's procurement provisions do not apply to provincial, state or municipal governments.
- *Chapter 14 – Services:* Under the CUSFTA, the principles of national treatment and right of establishment apply to services covered by the scope of Chapter 14. Existing government measures that violate the national treatment principle are “grandfathered”, i.e. permitted to remain in place. Non-covered services include transportation, basic telecommunications, medical, legal, child care, public health, and social services.
- *Chapter 16 – Investment:* The CUSFTA's investment provisions limit Canada's ability to review investments by U.S.-owned firms and to impose investment-related performance requirements such as local content standards.

The investment provisions do not apply to financial services, government procurement, transportation and cultural industries. Moreover, non-covered services, such as child care, education and health care, are not included in the national treatment obligations concerning their conduct and operation.

- *Chapter 18 - Institutional Provisions:* Chapter 18 creates a Canada–U.S. Trade Commission to oversee the entire Agreement and address issues related to its interpretation and/or implementation. If the Commission is unable to resolve a dispute, an arbitration panel is created to hear submissions from the two countries and make recommendations or binding decisions.
- *Chapter 19 - Binational Dispute Settlement in Antidumping and Countervailing Duty Cases:* Chapter 19 establishes a binding system for resolving disputes arising from antidumping and countervailing measures.<sup>7</sup>

### ***What Were the Origins of the North American Free Trade Agreement (NAFTA)?***

It was not Canada's idea to enter into trade negotiations with Mexico. In economic terms, we prospered well in the years following implementation of the CUSFTA as a result of our preferential access to the American market. The U.S. demand for Canadian imports was buoyant because of strong economic growth south of the border. In fact, our exports to the U.S. market were really the only bright spot in the Canadian economy in the early 1990s. From Canada's perspective, the situation was just fine with the bilateral agreement in place.

Motivated by its friendship with President Salinas and a desire to provide some economic “pay-off” to ease the cost of painful structural reforms being implemented by Mexico, the U.S. government accepted Mexico's overtures and, in 1990, agreed to enter into free trade discussions.

This presented Canada with a dilemma. Although hesitant to re-open trade negotiations with the United States for fear that U.S. negotiators would re-visit sensitive aspects of the bilateral agreement – a concern that proved warranted in some respects – Canada had little option but to participate to avoid diluting our access to the U.S. market. A “hub and spoke” model, with Canada a mere spoke to a powerful U.S. hub, was not advantageous from a trade policy perspective.

The NAFTA was negotiated over the 1991 to 1993 period and came into force on January 1, 1994.

### ***Did the NAFTA Change the Rules for Canada–U.S. Trade?***

In a nutshell, not by much. The trilateral agreement is similar to the CUSFTA in many important respects. Under the NAFTA, tariffs on trade within North America are to be phased out over the 1994 to 2003 period. Tariffs on goods traded between Canada and the U.S. were eliminated more quickly (by January 1, 1998) according to the schedule established in the Canada–U.S. Free Trade Agreement.

Like the CUSFTA, the NAFTA also addresses non-tariff barriers and establishes rules on domestic regulatory issues. For example, Chapter 11 of the NAFTA contains rules on the treatment of investors from other NAFTA countries. Chapters 19 and 20 of the Agreement contain procedures for the resolution of disputes.

The NAFTA’s differences from the CUSFTA, although few, are worth noting. They include the following:

- the rules of origin provisions were changed, primarily as a result of CUSFTA disputes arising from the treatment of automobiles produced in Japanese “transplant” facilities located in Canada. For some products, notably motor vehicles and apparel, the NAFTA rules of origin make it more difficult for goods to attain North American status;
- the NAFTA provisions relating to agriculture are not a “trilateralized” version of those included in the CUSFTA. The NAFTA contains two separate agriculture rules: one pertaining to Canada–Mexican trade and the other for trade between Mexico and the U.S. The CUSFTA agriculture chapter continues to govern trade between Canada and the U.S.;
- the government procurement provisions were extended to include construction and service procurement;
- the NAFTA introduces “investor state” provisions that allow private firms to seek compensation from another country’s government if that government’s actions reduced the value of the firm’s investment;
- while the CUSFTA’s services provisions pertained only to services that were explicitly included in its coverage, the NAFTA takes the reverse approach and applies to all services, unless explicitly excluded. Canada’s health, social services, cultural industries and basic telecommunications continue to be exempt under the NAFTA; and

- the NAFTA introduces subtle changes in the dispute settlement provisions that make it somewhat more difficult for dispute settlement panels to overturn decisions of domestic authorities in the antidumping and countervailing duty area.

Another important NAFTA innovation is that it explicitly deals with labour and environmental matters through its two side agreements. The side agreements were a condition of President Clinton's support for the trilateral pact, the origins of which lay with his predecessor's administration.

The objective of the labour side agreement is to promote co-operation on labour matters and to ensure the effective enforcement of domestic labour law. There is an annual work program focusing on occupational health and safety, employment and job training, labour law and workers' rights and productivity. It does not establish a common or desirable set of labour practices for North America but commits countries to effectively enforce their own legislation.

Individuals and organizations can make submissions if they believe that labour practices in any of the NAFTA member countries have not adhered to domestic law in that country. Two submissions have been directed at Canada: one concerning the closure of a McDonald's franchise in St. Hubert, Quebec, in the midst of unionization efforts, and a second pertaining to collective bargaining rights for rural postal carriers.

If a panel finds that a country has not conformed to its own labour legislation, the country is given an opportunity to comply. If it refuses, fines can be imposed or trade benefits suspended.

The objective of the North American Agreement on Environmental Cooperation is to promote environmental collaboration and the effective enforcement of domestic environmental law. It establishes a Commission for Environmental Cooperation (CEC) encompassing a council, secretariat and advisory panel. The Commission considers complaints from organizations and individuals claiming that a member government has failed to enforce its own environmental laws. (As with the labour side agreement, the environmental agreement does not establish common North American standards). The dispute settlement provisions are similar to those contained in the labour agreement. Failure to comply with a panel decision could result in fines and ultimately, in the case of Mexico and the U.S., the suspension of trade benefits.

### ***What Are the NAFTA's Institutional Provisions?***

The trade ministers from Canada, the U.S. and Mexico make up the NAFTA Commission. It is the Commission's responsibility to oversee the implementation of the Agreement. The Commission meets once a year to review progress and set priorities for further work.

The NAFTA machinery also includes over 30 trilateral working committees, working groups and other bodies charged with administering and implementing specific areas of the Agreement. Often the groups are concerned with solving problems that impede trade, such as in the area of customs procedures, through improved co-operation and by harmonizing regulations and procedures. Occasionally, they achieve larger breakthroughs. For example, the Advisory Committee on Private International Disputes Regarding Agricultural Goods developed a mechanism for resolving disputes over trade in perishable fruits and vegetables.

The NAFTA Deputy Ministers of Trade meet twice annually to provide high-level oversight of the NAFTA Working Groups and Committees. Day-to-day management of the NAFTA work program, and of the broader implementation of the Agreement, is carried out by the NAFTA "Co-ordinators" — the three senior trade department officials designated by each country.

The NAFTA Secretariat, comprising the Canadian, U.S. and Mexican sections, administers the dispute settlement provisions of the Agreement and provides some assistance to the Commission and support for various non-dispute-related committees and working groups. Each national section maintains a court-like registry relating to panel, committee and tribunal proceedings.

Also included in the NAFTA's institutional machinery are the Commission on Labour Cooperation and the Commission on Environmental Cooperation.

### **The Canada–Chile Free Trade Agreement**

The Canada–Chile Free Trade Agreement (CCFTA) came into force in July 1997. In terms of coverage and scope, it is similar to the NAFTA. Its one significant difference is that, under the CCFTA, Canada and Chile have agreed to exempt exports from the other party from antidumping actions. This has long been one of Canada's key objectives in trade negotiations with the U.S.

Like the NAFTA, the CCFTA contains both a labour and environmental side agreement.

Trade with Chile is small in relation to Canada's overall commercial transactions, although trade ties between the two countries have grown sharply in recent years. Our investment relationship is more important as Canada is the second-largest foreign investor in Chile.

The CCFTA's significance lies in its antidumping provisions and in the fact that it serves as a model for trade with Latin American nations. Chile has observer status in the Mercosur regional trade agreement comprising Brazil, Argentina, Paraguay and Uruguay. Should it accede to the Mercosur sometime in the future, our bilateral relationship with Chile would provide us with a window on that trade bloc.

### **The Canada–Israel Free Trade Agreement**

The Canada–Israel Free Trade Agreement (CIFTA) came into force in 1996 and has contributed to a large increase in bilateral trade. The CIFTA's significance lies in the fact that it goes further than the NAFTA, WTO or CCFTA in liberalizing trade in agricultural products.

### **The Free Trade Area of the Americas (FTAA)**

At a summit meeting in Miami in 1994, 34 North and South American countries pledged to create a free trade area of the Americas (FTAA). Negotiations were officially launched in 1998 and are slated to conclude by 2005.

The objective of the negotiations is to achieve a comprehensive, WTO-consistent free trade agreement. Toward that end, working programs have been established for nine negotiating groups (dealing with such matters as market access, agriculture, and investment) and three advisory bodies. Canada is Chair of the Negotiating Group on Government Procurement and Vice-Chair of both the Negotiating Groups on Competition Policy and the Joint Government–Private Sector Committee of Experts on Electronic Commerce.

### **Asia-Pacific Economic Cooperation (APEC)**

The Asia-Pacific Economic Cooperation (APEC) forum includes 21 economies from North America (Canada, the U.S., Mexico), South America (including Peru and Chile) and Asia (including Chinese Taipei, Hong Kong, China, Korea and Indonesia).

The APEC initiative is more than merely an agreement to reduce barriers to trade. It is a more comprehensive trade and investment pact based on voluntary commitments by members and set out in individual action plans. Its emphasis is on process and framework agreements as opposed to specific commitments by members. Objectives like customs co-operation also form a part of the APEC process.

APEC members had devised a plan for early, voluntary liberalization in nine “priority” sectors, including forest products, fish and medical equipment. Six other sectors were identified for a second stage of voluntary tariff removal. The Asian financial crisis set back progress in this area.

# Trade Policy-Making In Canada

## *Who Is In Charge?*

The three core departments with responsibility for international trade are the Department of Foreign Affairs and International Trade (DFAIT), Industry Canada (IC) and Agriculture and Agri-Food Canada (AAFC). While other federal departments are consulted and play a role, DFAIT generally has the primary responsibility for developing and representing Canada's interests in trade negotiations.

Within DFAIT, it is officials in the Trade and Economic Policy Branch who are chiefly concerned with developing Canada's trade policy. In terms of actual negotiations, other important players are the Ambassador to our delegation to the WTO in Geneva, Canada's Ambassador to the United States and officials in the U.S. Bureau within DFAIT.

## *How Does Canada Prepare for Trade Negotiations?*

The first step is to determine what Canada seeks to achieve in a given set of negotiations. Trade policy officials base Canada's negotiating objectives on input from a number of sources, including the following:

- ***Parliamentary Committees.*** Prior to entering into a set of negotiations, the Minister for International Trade typically requests the Standing Committee on Foreign Affairs and International Trade to report on the views of Canadians. This occurred most recently before the WTO's Seattle Ministerial.<sup>8</sup> The Committee, which is chaired by a government member and comprised of members of Parliament representing all political parties, hears witnesses, receives written submissions and makes a comprehensive report to the Minister, which is tabled in Parliament.
- ***Representations from Canadians.*** Trade policy officials also base their negotiating objectives on direct input from interested Canadians. Canadian businesses have a long tradition of making their views known to government officials on market access priorities (e.g. foreign trade barriers that they would like to see reduced), on the unfair trade practices of their foreign competitors (e.g. dumping or subsidization) and on Canadian barriers that they want preserved. In more recent sets of trade negotiations, members of civil society expressed their views to government as well.
- ***Sectoral Advisory Groups on International Trade (SAGITs).*** The SAGITs are committees made up of industry representatives that advise trade negotiators on the complexities and negotiating priorities of different industrial sectors. The SAGIT system was introduced at the time of the Canada–U.S. bilateral trade negotiations and was found to be highly beneficial. As a result, it has remained in place for other sets of trade negotiations. (A list of the SAGITs is included in Appendix II.)

- ***Other federal government departments.*** Depending on the industry sector and trade issue concerned, officials from other governmental departments assist in developing Canada's negotiating position. For example, Industry Canada plays an important role in negotiations concerning the automotive and civil aircraft sectors, where the trade and industrial policy issues are highly complex. The Tariffs Division at the Department of Finance is closely involved in issues related to tariff concessions, duty remissions and duty drawbacks, critical for industries such as apparel and textiles. Officials from Heritage Canada, Environment Canada, Industry Canada and Human Resources Development Canada are involved in the development of negotiating positions on culture, the environment, investment and labour, respectively. In the case of the agricultural sector, Agriculture and Agri-Food Canada has the primary responsibility for developing and conducting trade negotiations.
- ***Provincial Governments.*** Trade policy can touch on areas of provincial jurisdiction. Examples include government procurement, liquor distribution and labour standards. Moreover, provincial governments have an overall interest in trade negotiations because of the potential impacts on their economies and citizens. Provinces are regularly briefed and consulted by DFAIT officials when negotiating positions are being developed.

Beyond the officials level, Canada's negotiating priorities have an important political dimension as well. Increasingly over time, the federal cabinet has discussed and debated some of the key elements of Canada's negotiating position.

### ***Where, When and How Do the Negotiations Occur?***

In the old days, trade negotiations were carried out late at night in smoky Geneva bars over numerous glasses of cognac. Beyond a handful of trade officials in Ottawa, few people cared about the outcomes. Now, the situation is much different.

Canada's membership in numerous trade pacts and negotiating groups provides officials with considerable opportunity to interact with their counterparts from other governments. Trade ministers themselves gather frequently for a variety of purposes, including APEC or FTAA Ministers meetings, the NAFTA Commission or WTO Ministerials.

Important work is also carried out in NAFTA, WTO and other working groups and special committees. These groups typically have ongoing mandates to promote trade, reduce barriers or harmonize regulatory standards in specific sectors.

Institutions such as the Organization for Economic Co-operation and Development (OECD) provide a forum for the discussion of trade matters. For example, the OECD is currently examining trade and competition policy issues. It also led the ill-fated charge for the creation of a Multilateral Agreement on Investment (MAI) several years ago.



### ***Has Canada Changed Its Approach to Trade Negotiations?***

Experiences such as the failed MAI underscored the importance of consultations with all members of civil society, not just the business sector. Over the past five years, organizations such as the WTO and APEC Secretariats have made a concerted effort to inform citizens about their activities. Many governments, including Canada's, have adopted a similar approach and demonstrated an increased willingness to enter into dialogue with representatives of civil society.

The DFAIT has increased its communication activities through publications like *Opening Doors to the World: Canada's International and Market Access Priorities*<sup>9</sup>, which provides a country-by-country accounting of Canada's trade policy objectives. The DFAIT Web site is replete with detailed information about trade negotiations and agreements and provides links to a vast number of other information sources. Similarly, Industry Canada's *Strategis* Web site provides valuable material about foreign markets and Canada's trade policy objectives.

In terms of dialogue, the Canadian government has actively encouraged participation from Canadians. Many resources were put into the recent examination by the Standing Committee on Foreign Affairs of Canada's positions in the next set of WTO negotiations and the government's response to the Committee's report.

An interesting example of the Canadian Government's new openness is found in its intentions regarding trade negotiations with Costa Rica. Rather than merely announcing the initiation of negotiations, the *Canada Gazette* notice states that "The Government believes that ongoing, broad-based consultations with the provinces, the business sector, and the public at large are essential".<sup>10</sup>

### ***Are Trade Negotiations the Only Aspect of Trade Policy?***

Far from it! The administration and implementation of commitments under trade agreements are also an important facet of trade policy, along with participation in trade disputes.

Once a trade agreement is negotiated, it has to be formally implemented by its contracting parties. In the case of the CUSFTA and the NAFTA, for example, literally dozens of pieces of Canadian legislation had to be amended to give legal effect to our trade commitments. Precisely how these legislative changes are made and their consequences for domestic policy-making are important matters.

Trade agreements also have to be administered on an ongoing basis. The agreements themselves usually provide for institutional machinery, as in the case of trinational NAFTA secretariats and the WTO's Trade Policy Review Mechanism. These bodies monitor members' trade policy, provide technical assistance and help resolve disputes.

At the domestic level, there are a range of government agencies charged with the administration of trade agreements. For example, the Canadian International Trade Tribunal hears cases relating to "unfair" imports, bid challenges to government procurement awards, appeals of Revenue Canada decisions on tariff classification, and requests by clothing manufacturers for textile tariff

relief. Other government agencies are involved in the administration of trade agreements in areas as diverse as transportation, pharmaceutical medicine, agricultural standards and customs procedures.

The inclusion in the CUSFTA/NAFTA and WTO of binding dispute settlement procedures has changed the application of trade policy. Trade officials are increasingly being called upon to prepare for and defend Canada's interests in cases launched by other governments. Moreover, officials have considered it important for Canada to act as an intervener in cases involving other parties where important principles are being decided.

The outcome of WTO and NAFTA trade actions can mean changes in domestic policy. Among the recent cases that have had far-reaching implications for Canadian policy are the U.S.-New Zealand WTO challenge to our supply management regime for dairy products; the U.S.-WTO challenge to our cultural policies pertaining to "split-run" magazines; Japan and Europe's challenge to Canadian automobile tariffs; and Europe's challenge to our legislation governing pharmaceutical patent protection.

The effects of WTO decisions can extend far beyond the countries directly involved in the actions. For example, environmentalists believe that WTO panel decisions against the U.S. in the shrimp-turtle and tuna-dolphin cases have weakened the scope for domestic governments to institute environmental regulations. In the food safety area, the European Union is most concerned over a recent WTO panel decision that its import ban on hormone-enhanced beef is inconsistent with its trade obligations.

Canada has not only been the target of trade challenges by others. We have launched several of our own, including challenges to Japan (alcoholic beverages), Australia (salmon), Brazil (aircraft) and the European Union (beef). Decisions to challenge another country's trade practices are typically made in response to representations by Canadian exporters.

The WTO's dispute settlement procedures have been criticized as too secretive and intrusive. It is quite likely that reforms will occur to provide for more timely and complete circulation of submissions and open the system to representations by outside parties.

## Conclusion

### *Where Does Canadian Trade Policy Go From Here?*

It is fairly well accepted that widespread 'globalization angst' has put a damper on prospects for significant breakthroughs in trade liberalization in the next few years. This is certainly the case in the multilateral trade arena. However, there may be more hope for steady but unspectacular progress in regional trade negotiations such as the FTAA or the APEC.

Canada will remain an enthusiastic and constructive participant in multilateral and regional negotiations and in other trade forums such as the OECD. Our ongoing involvement in a number of highly important trade disputes will mean that WTO constraints will remain very much a part of our lives. Indeed, it is experience with trade disputes, as well as the long list of unfinished business in WTO agreements, that will inevitably bring member countries back to the multilateral bargaining table before too long. The pervasiveness of trade and its special economic significance for Canada make maintaining and improving our trade relationships a high policy priority.

# Glossary of Trade Terms

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***Antidumping Agreement:*** A WTO agreement, originally negotiated under the GATT, that permits member countries to impose special duties on imported goods that have been “dumped” and which have injured or threaten to injure production in the importing country. Dumped goods are goods that are sold at a price that is lower than the home market price or that does not fully cover the costs of production in the home market. The WTO antidumping agreement proscribes the substantive standards and procedural steps that must be applied to invoke antidumping measures.

***APEC:*** Asia–Pacific Economic Cooperation forum. The APEC comprises 21 economies around the Pacific Rim, including Canada.

***Autopact:*** A trade or production-sharing agreement made between Canada and the U.S. in 1965. It provides for duty-free trade in cars and light trucks between the two countries provided, in Canada’s case, that certain production levels are achieved by Autopact manufacturers, essentially General Motors, Ford and Chrysler.

***CCFTA:*** The Canada–Chile Free Trade Agreement implemented in July 1997.

***CIFTA:*** The Canada–Israel Free Trade Agreement implemented in January 1997.

***Competition Policy:*** The domestic framework laws that seek to maintain internal markets free from monopolistic competition or other abuses of market power.

***Countervailing Duties:*** Special duties that can be imposed, under the terms set out in the WTO Agreement on Subsidies and Countervailing Measures, to offset government subsidies provided on goods in an exporting country when subsidized imports cause or threaten to cause injury to producers in the importing country.

***Dispute Settlement Mechanism:*** The institutional arrangements in a trade agreement that provide the means for resolving or settling disagreements over trade.

***Export Subsidies:*** Government payments or other measurable financial benefits that are provided on the condition that the goods or services receiving the subsidies are exported.

***FTAA:*** Free Trade Area of the Americas, a proposed agreement between 34 countries of the Western Hemisphere aimed at establishing a free trade area by 2005.

***G7/8:*** A group of the top seven or eight industrialized nations that meet each year to discuss economic and trade matters of common concern. The members of the G7 are Canada, France, Germany, Italy, Japan, the United Kingdom and the U.S. The G8 comprises the members of the G7 and Russia.

**GATS:** The General Agreement on Trade in Services, the first set of multilateral rules negotiated to govern international trade in services. The GATS is one of the agreements that falls under the WTO.

**GATT:** The General Agreement on Tariffs and Trade. The GATT was the multilateral agreement established in 1947 to set down rules governing world trade in goods. The GATT was subsumed as the premium multilateral trade pact by the World Trade Organization, which came into force in 1995. The GATT remains one of the most important of the roughly 60 WTO Agreements.

**Government Procurement:** The purchase of goods or services by government departments, agencies and crown corporations or by public entities such as schools and hospitals. Procurement decisions are a frequent means by which governments favour domestic industries in contravention of the spirit, if not the letter, of international trade agreements.

**IMF:** The International Monetary Fund. The IMF was established after World War II to help promote monetary and economic stability. Most developed countries and all OECD members participate.

**Intellectual Property:** Intellectual property refers to the creative inventions of companies, artists or individuals. It can take the form of music, technological inventions, computer programs or literature. Trademarks, patents and copyright are among the ways that intellectual property rights are protected.

**Most-Favoured-Nation (MFN):** The MFN principle is one of the longstanding foundations of the world trading system. The MFN rule requires countries to treat all their trading partners equally, treating none more or less favourably than others. The MFN principle is best understood in the context of tariff reductions, whereby a tariff cut must be implemented across the board for imports from all countries that are members of a trade agreement. Exceptions to the basic MFN rule are made in certain circumstances, notably in the case of regional trade agreements such as the NAFTA.

**Multilateral Agreement:** A multilateral agreement is an international pact comprising a large number of parties representing different geographic regions of the world. A multilateral agreement can be distinguished from a regional agreement between countries concentrated in a specific geographic region such as the Asia-Pacific region, the Americas or Europe.

**North American Free Trade Agreement (NAFTA):** The NAFTA involves Canada, the United States and Mexico. It came into force on January 1, 1994.

**National Treatment:** The National Treatment principle is a fundamental commitment underlying most trade agreements. Its essential feature is non-discrimination. It provides that imports, investment, or service providers be treated no less favourably than their domestic counterparts in terms of taxation, regulation or legal requirements. The national treatment provision permits governments to regulate as they desire, but prevents them from doing so in a way that discriminates between domestic and foreign suppliers.

**Non-Tariff Barriers:** Government regulations or other measures that have the effect of reducing trade. Non-tariff barriers can take the form of import inspection requirements, preferential government procurement practices or foreign investment restrictions.

**OECD:** The Organization for Economic Co-operation and Development is a Paris-based organization of industrialized nations that co-operate on economic, trade and other matters.

**Plurilateral Trade Agreement:** An agreement between some but not all members of a larger multilateral trade agreement. The WTO Agreement on Government Procurement is an example of a plurilateral trade agreement. Although it is a WTO Agreement, only 26 WTO members have signed it.

**Reciprocity:** An arrangement whereby a government offers a concession, such as tariff elimination, to another government in return for the same advantages.

**Rules of Origin:** Complex rules designed to determine whether goods can be considered to originate in one country or another for the purposes of applying tariffs or other trade measures. Since many goods today are comprised of parts from a number of different countries, it is not easy to judge where they are produced. Yet trade agreements can provide for different levels of duty depending on the origin of the goods. An example is the NAFTA, under which goods originating in the U.S. and Mexico are not charged duties when imported into Canada, but those originating in Japan, Europe and other offshore countries are. Determining whether a blouse sewn in Canada from fabric imported from Asia should be permitted duty-free access to the U.S. requires detailed rules-of-origin calculations.

**Subsidy:** In the context of international trade, subsidies occur when a government provides a financial benefit to a producer. The financial benefit can take various forms, from an outright cash grant to the forgiveness of a loan or some form of price or income guarantee.

**TRIM:** The WTO Agreement on Trade-Related Investment Measures.

**TRIP:** The WTO Agreement on Trade-Related Intellectual Property.

**Tariff:** A duty or tax imposed on goods imported into a customs area. Tariffs raise the price of imported goods, which makes them less competitive with domestic goods.

**Transparency:** A central objective of most trade agreements. Transparency refers to visibility and clarity of government laws and regulatory procedures. Increased transparency should make it easier for exporters and importers to operate.

**World Bank:** Created in 1944 along with the International Monetary Fund to assist countries to reconstruct their economies after the Second World War. The World Bank now devotes itself primarily to helping developing countries strengthen their economies.

**World Trade Organization (WTO):** A multilateral trade organization made up of 141 countries. The WTO's objective is to promote the fair and free movement of world trade.

# Appendix I

## Component Agreements, Decisions and Declarations of the Marrakesh Agreement Establishing the World Trade Organization

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### *Trade in Goods*

- General Agreement on Tariffs and Trade 1994
- General Agreement on Tariffs and Trade 1947
- Understanding on the Interpretation of Article II:1(b) of the General Agreement on Tariffs and Trade 1994
- Understanding on the Interpretation of Article XVII of the General Agreement on Tariffs and Trade 1994
- Understanding on Balance-of-Payments Provisions of the General Agreement on Tariffs and Trade 1994
- Understanding on the Interpretation of Article XXIV of the General Agreement on Tariffs and Trade 1994
- Understanding in Respect of Waivers of Obligations under the General Agreement on Tariffs and Trade 1994
- Understanding on the Interpretation of Article XXVIII of the General Agreement on Tariffs and Trade 1994
- Marrakesh Protocol to the General Agreement on Tariffs and Trade 1994
- Agreement on Agriculture
- Agreement on the Application of Sanitary and Phytosanitary Measures
- Agreement on Textiles and Clothing
- Agreement on Technical Barriers to Trade
- Agreement on Trade-Related Investment Measures
- Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994
- Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade 1994

- Agreement on Preshipment Inspection
- Agreement on Rules of Origin
- Agreement on Import Licensing Procedures
- Agreement on Subsidies and Countervailing Measures
- Agreement on Safeguards

### ***Trade in Services***

- General Agreement on Trade in Services

### ***Intellectual Property Rights***

- Agreement on Trade-Related Aspects of Intellectual Property Rights

### ***Dispute Settlement***

- Understanding on Rules and Procedures Governing the Settlement of Disputes

### ***Trade Policy Review***

- Trade Policy Review Mechanism

### ***Plurilateral Trade Agreements***

- Agreement on Trade in Civil Aircraft
- Agreement on Government Procurement
- International Dairy Agreement
- International Bovine Meat Agreement



### ***Ministerial Decisions and Declarations***

- Decision on Measures in Favour of Least-Developed Countries
- Declaration on the Contribution of the World Trade Organization to Achieving Greater Coherence in Global Economic Policymaking
- Decision on Notification Procedures
- Declaration on the Relationship of the World Trade Organization with the International Monetary Fund
- Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries
- Decision on Notification of First Integration under Article 2.6 of the Agreement on Textiles and Clothing
- Decision on Proposed Understanding on WTO-ISO Standards Information System
- Decision on Review of the ISO/IEC Information Centre Publication
- Decision on Anti-Circumvention
- Decision on Review of Article 17.6 of the Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994
- Declaration on Dispute Settlement Pursuant to the Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994 or Part V of the Agreement on Subsidies and Countervailing Measures
- Decision Regarding Cases where Customs Administrations have Reasons to Doubt the Truth or Accuracy of the Declared Value
- Decision on Texts Relating to Minimum Values and Imports by Sole Agents, Sole Distributors and Sole Concessionaires
- Decision on Institutional Arrangements for the General Agreement on Trade in Services
- Decision on Certain Dispute Settlement Procedures for the General Agreement on Trade in Services
- Decision on Trade in Services and the Environment
- Decision on Negotiations on Movement of Natural Persons
- Decision on Financial Services

- Decision on Negotiations on Maritime Transport Services
- Decision on Negotiations on Basic Telecommunications
- Decision on Professional Services
- Decision on Accession to the Agreement on Government Procurement
- Decision on the Application and Review of the Understanding on Rules and Procedures Governing the Settlement of Disputes
- Understanding on Commitments in Financial Services

## **Appendix II**

### **List of Canadian Sectoral Advisory Groups On International Trade (SAGITs)**

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- Advanced Manufacturing
- Agriculture, Food and Beverage
- Apparel and Footwear
- Cultural Industries
- Energy, Chemicals and Plastics
- Environmental
- Fish and Sea Products
- Forest Products
- Information Technologies
- Medical and Health Care Products and Services
- Mining, Metals and Minerals
- Services
- Textiles, Fur and Leather

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## Endnotes

<sup>1</sup> An aggregate measure such as GDP per capita does not measure how income is distributed within an economy. It does not capture the possibility that trade liberalization could have quite different effects on different sectors or groups within society.

<sup>2</sup> Jeffrey Sachs and Andrew Warner. 1995. "Economic Reform and the Process of Global Integration", *Brookings Papers on Economic Activity*, 0(1), pp. 1-95.

<sup>3</sup> There are some exceptions, depending on the product and the country. For example, offshore imports of clothing, textiles, footwear and automobiles are still subject to quite high tariffs entering Canada.

<sup>4</sup> One of the exceptions in the WTO Agreement on Government Procurement is a "plurilateral" agreement in that only 26 countries are members.

<sup>5</sup> Department of External Affairs. 1983. *A Review of Canadian Trade Policy and Canadian Trade Policy for the 1980s: A Discussion Paper*.

<sup>6</sup> Richard G. Lipsey and Robert C. York. 1988. *Evaluating the Free Trade Deal: A Guided Tour Through the Canada-US Agreement*, C.D. Howe Institute Study No. 6, Toronto, p. ix.

<sup>7</sup> Antidumping measures can be applied when imports are "dumped," i.e. sold at a price lower than the price in the exporter's home market or than the cost of production. Countervailing measures can apply in the case of goods that receive subsidies in their home market.

<sup>8</sup> The Committee produced an excellent report. Report of the Standing Committee on Foreign Affairs and International Trade (June 1999), *Canada and the Future of the World Trade Organization: Advancing a Millennium Agenda in the Public Interest*.

<sup>9</sup> Department of Foreign Affairs and International Trade. The report was published in both 1998 and 1999. It is also available online at [www.dfait-maeci.gc.ca](http://www.dfait-maeci.gc.ca).

<sup>10</sup> Notice published in the *Canada Gazette*, March 11, 2000.

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# Comments

We welcome your comments. Please detach this form and return it to the following address:

**Status of Women Canada (SWC)  
Policy Analysis and Development Directorate  
123 Slater Street – 10<sup>th</sup> floor  
Ottawa, Ontario  
K1P 1H9  
Fax: (613) 947-0530**

**1) Tell us about yourself** *(Check one as appropriate)*

- |  |  |
|--|--|
| <input type="checkbox"/> Women's organization                          | <input type="checkbox"/> College, CEGEP                                |
| <input type="checkbox"/> Aboriginal organization                       | <input type="checkbox"/> University                                    |
| <input type="checkbox"/> Ethno-cultural organization/group             | <input type="checkbox"/> Federal government/national institution       |
| <input type="checkbox"/> Youth organization                            | <input type="checkbox"/> Provincial/Territorial government/institution |
| <input type="checkbox"/> Seniors' organization                         | <input type="checkbox"/> Professional association or corporation       |
| <input type="checkbox"/> Men's organization                            | <input type="checkbox"/> Private sector/business                       |
| <input type="checkbox"/> Health centre, medical clinic, hospital, etc. | <input type="checkbox"/> Labour organization                           |
| <input type="checkbox"/> School (elementary, high school)              | <input type="checkbox"/> Other (specify) _____                         |

**2) Where do you live?** *(Check one)*

- |   |   |  |
|---|---|--|
| <input type="checkbox"/> Newfoundland         | <input type="checkbox"/> Ontario          | <input type="checkbox"/> Yukon                 |
| <input type="checkbox"/> Prince Edward Island | <input type="checkbox"/> Manitoba         | <input type="checkbox"/> Northwest Territories |
| <input type="checkbox"/> New Brunswick        | <input type="checkbox"/> Saskatchewan     | <input type="checkbox"/> Nunavut               |
| <input type="checkbox"/> Nova Scotia          | <input type="checkbox"/> Alberta          | <input type="checkbox"/> Outside Canada        |
| <input type="checkbox"/> Quebec               | <input type="checkbox"/> British Columbia |  |

**3) What is your or your organization's interest in policy issues related to international trade?**

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**4) Are you currently working on specific trade and gender issues?**

- |  |  |                                |
|--|--|--------------------------------|
| <input type="checkbox"/> Yes   | <input type="checkbox"/> No                |                                |
| <b>If yes, please elaborate</b> <i>(Check as many as applicable)</i> |  |                                |
| <input type="checkbox"/> Research                                    | <input type="checkbox"/> Capacity building | <input type="checkbox"/> Other |
| <input type="checkbox"/> Advocacy                                    | <input type="checkbox"/> Economic literacy | _____                          |

**5) If you are currently not working on these issues, have the papers stimulated your interest in finding out more about gender and trade?**

- |                              |                             |
|------------------------------|-----------------------------|
| <input type="checkbox"/> Yes | <input type="checkbox"/> No |
|------------------------------|-----------------------------|

**If not, why?** \_\_\_\_\_

6) **Were these papers useful to you or your organization?** *(Check one)*

Yes

No

Please elaborate \_\_\_\_\_

\_\_\_\_\_

7) **How did you use these papers?**

\_\_\_\_\_

\_\_\_\_\_

8) **Which paper/s or parts of these papers were most useful (user-friendly language, content, details etc.)?**

*Women and Trade in Canada: An Overview of Key Issues*

*International Trade Policy: A Primer*

*Putting Gender Into the Process: Initiatives and Lessons Learned*

**Comments**

\_\_\_\_\_

\_\_\_\_\_

9) **Do you think further research is required in any of the areas covered by these papers? Please explain**

\_\_\_\_\_

\_\_\_\_\_

10) **What additional topics related to gender and trade would you like to see addressed in new research? Please explain**

\_\_\_\_\_

\_\_\_\_\_

11) **We would also appreciate any other comments that you may have on the papers.**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Thank you!**

**Name** *(Optional)*: \_\_\_\_\_

**Organization**: \_\_\_\_\_

**E-mail address**: \_\_\_\_\_

*Note that all personal information collected on this form is protected under the Privacy Act.*