

#### RECOMMENDATION 46

That the Government of Canada work with stakeholders to encourage the growth of innovative Canadian companies by promoting their integration into high-value global supply chains.

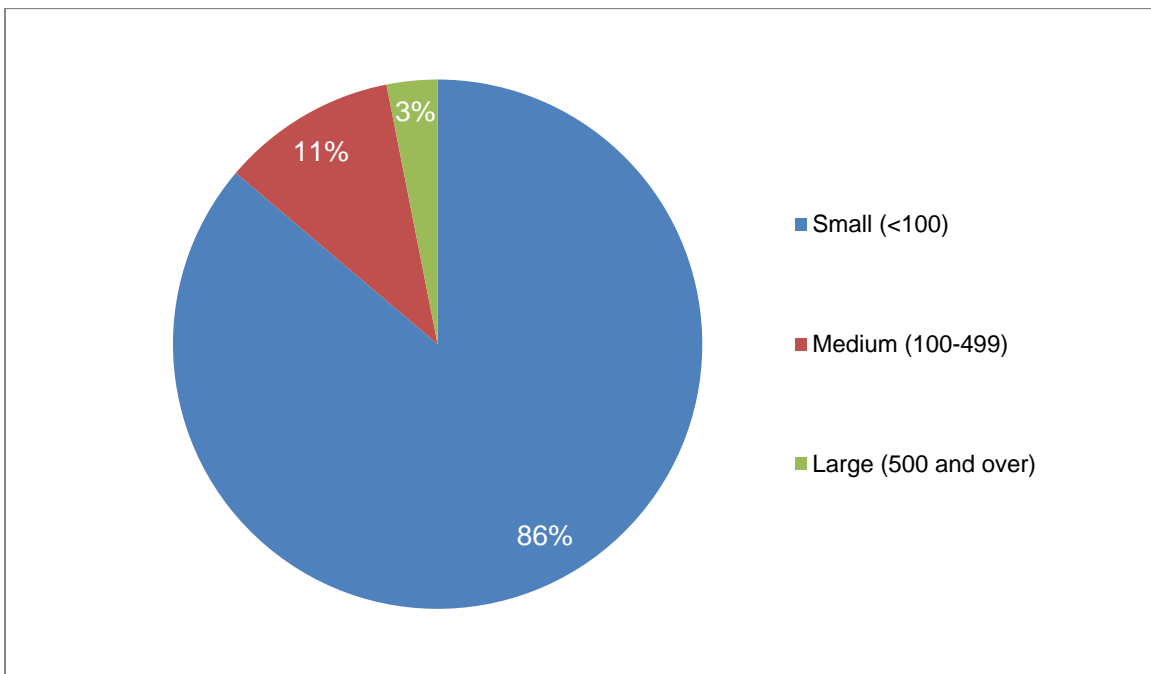
#### RECOMMENDATION 47

That the Government of Canada create a first patent program, with a design that is similar to that launched by the Government of Quebec. This program should subsidize the expenses incurred by small and medium-sized businesses obtaining a first patent.

### E. TRADE AND INVESTMENT

The Committee's witnesses provided comments on a range of topics related to trade and investment, including international trade, foreign direct investment, duty and border issues, and domestic trade.

**Share of Exporting Businesses, By Employee Size, 2009 (%)**



Note: For 2009, the number of businesses in Canada that reported exporting was 74,829. In the figure, the percentage share represents the number in each group as a proportion the total.

Source: Figure prepared using data obtained from: SME Research and Statistics, *Canadian Small Business Exports 2011*, [Table 1.1](#), 20 September 2016.

## 1. International Trade

The Committee was informed about a number of international trade–related issues. For example, regarding trade agreements, the [Regina and District Chamber of Commerce](#), the [National Cattle Feeders' Association](#), the [Atlantic Canada Opportunities Agency – New Brunswick](#) and [Western Economic Diversification – Alberta](#) asked the government to continue to expand trade opportunities.

The [Conference Board of Canada](#) and the [Business Council of Canada](#) urged the government to make efforts to limit the effects of what they characterized as increasing anti-trade sentiments globally, while the [Manitoba Chambers of Commerce](#) called on the government to consult Canadian businesses with the goal of developing more comprehensive international trade strategies. The [Canadian Union of Public Employees](#) stated that the government should pursue free trade agreements that promote improved work, social and environmental conditions worldwide, while the [Cooper Institute](#) said that the government should not sign trade agreements that would have the effect of accelerating climate change. The [Canadian Taxpayers Federation](#) believed that free trade agreements should be used as a vehicle to reduce subsidies.

Some witnesses focused on specific free trade agreements, notably the Canada–European Union Comprehensive Economic and Trade Agreement, as well as the Trans-Pacific Partnership agreement. The [Business Council of Manitoba](#), the [Manitoba Chambers of Commerce](#), the [Canola Council of Canada](#), the [Board of Trade of Metropolitan Montreal](#), the [Canadian Chamber of Commerce](#), the [Business Council of Canada](#), the [Halifax Chamber of Commerce](#) and the [Atlantic Provinces Economic Council](#) urged the government to support and ratify these agreements. The [Quebec Employers Council](#) and [Restaurants Canada](#) mentioned ratification of the Canada–European Union Comprehensive Economic and Trade Agreement in particular, while the [Association des Marchands Dépanneurs et Épiceries du Québec](#) focused on ratification of the Trans-Pacific Partnership agreement.

According to the [Canadian Union of Public Employees](#), the government should not ratify either the Canada–European Union Comprehensive Economic and Trade Agreement or the Trans-Pacific Partnership agreement. The [Cooper Institute](#) indicated its lack of support for trade agreements that include investor-state dispute-settlement mechanisms; both of these agreements include such a mechanism. The [Union des Producteurs Agricoles](#) said that the government should ratify the Trans-Pacific Partnership agreement only if supply-managed products would not be disadvantaged, and the [Canadian Vehicle Manufacturers' Association](#) proposed that the Trans-Pacific Partnership agreement be amended so that tariffs would not disadvantage Canadian automotive producers relative to those in the United States.

[Desjardins Group](#) advocated compensation for sectors that might be negatively affected by ratification of trade agreements. The [Dairy Farmers of Canada](#) asked the government to alter the dairy sector compensation package that was announced in October 2015 in the context of possible ratification of the Canada–European Union Comprehensive Economic and Trade Agreement, as well as the Trans-Pacific Partnership

agreement. In particular, [it](#) proposed that compensation in relation to the former agreement not depend on ratification of the latter agreement, and suggested that the compensation package ensure that dairy products are excluded from the Duties Relief Program.

A number of witnesses mentioned the need for the government to be successful in negotiating a renewed softwood lumber agreement with the United States, including [Western Economic Diversification – British Columbia](#), [Western Economic Diversification – Alberta](#), the [Atlantic Canada Opportunities Agency – New Brunswick](#) and the [Quebec Employers Council](#).

Witnesses also identified other trade agreements that they think the government should pursue. For example, the [Business Council of Manitoba](#) stated that – in the absence of a signed and ratified Trans-Pacific Partnership agreement – the government should pursue bilateral trade agreements with the most significant Asian countries that are members of the Trans-Pacific Partnership. Similarly, the [Business Council of Canada](#) suggested that the government negotiate a bilateral trade agreement with Japan or a regional agreement with the countries of the Association of Southeast Asian Nations if the Trans-Pacific Partnership agreement is not ratified. The [Canola Council of Canada](#), the [Business Council of Canada](#) and the [Canadian Chamber of Commerce](#) supported expanded trade opportunities with China. The [Canadian Chamber of Commerce](#) and the [Board of Trade of Metropolitan Montreal](#) advocated a free trade agreement between Canada and the United Kingdom, with the [Board of Trade of Metropolitan Montreal](#) also supporting an agreement with India.

Some witnesses focused on trade promotion activities. For example, the [Saskatchewan Mining Association](#) stated that the government should continue its trade missions to emerging markets, while the [Manitoba Chambers of Commerce](#) suggested that the government expand its trade and investment promotion services, including by ensuring that its supports remain at least as generous as those of other countries. The [City of Fredericton and Ignite Fredericton](#) asked the government to customize export development and leadership programs, and to create partnerships between businesses seeking to enter a market and those already in that market. The [Board of Trade of Metropolitan Montreal](#) indicated that the government should increase its funding for CanExport and make it available in 2017, and [it](#) also said that the government should work with world trade centres in major Canadian cities. [Canadian Manufacturers & Exporters](#) suggested that the government work with public- and private-sector trade experts to build a national export accelerator program, similar to the Technology Accelerator Program.

A number of witnesses highlighted the importance of trade promotion services to specific sectors, with the [Union des Producteurs Agricoles](#) and [Keystone Agricultural Producers](#) noting the agricultural sector; the [Prince Edward Island Federation of Agriculture](#) requested that the government help the agriculture and agri-food sector in the development of a plan to expand international market access. The [Forest Products Association of Canada](#) advocated renewed funding for the Expanding Market Opportunities program and for the Canada Wood Group.

The [Manitoba Chambers of Commerce](#) indicated that the government should increase its efforts to harmonize Canadian standards with those of the country's trading partners. The [Canola Council of Canada](#) said that Canada's food safety standards should be better harmonized with those of the United States. The [Canadian Vehicle Manufacturers' Association](#) called for all trade agreements to have consistent regulatory standards, including with respect to the Federal Motor Vehicle Safety Standards, the Canada Motor Vehicle Safety Standards and emissions.

Witnesses also commented on policies to foster international competitiveness, with the [Chartered Professional Accountants of Canada](#) asking the government to ensure that its policies help businesses to compete in international markets and the [Canadian Association of Petroleum Producers](#) suggesting that the Bank of Canada continue to manage inflation appropriately in order to ensure international cost competitiveness. [Western Economic Diversification – Alberta](#) stated that the government should work with the energy sector to help it reduce production costs and thereby remain competitive.

The [Business Council of Canada](#), the [Business Council of Manitoba](#), the [Canadian Chamber of Commerce](#), the [Canadian Construction Association](#), the [Manitoba Chambers of Commerce](#), [Export Development Canada](#) and the [Halifax Chamber of Commerce](#) supported investments in trade-enabling infrastructure. The [Canadian Construction Association](#) urged the government to make decisions about this type of infrastructure using merit-based criteria, and proposed that the government and the private sector form a national trade infrastructure committee. The [Board of Trade of Metropolitan Montreal](#), the [Canadian Chamber of Commerce](#) and the [Canadian Construction Association](#) said that the government should renew its commitment to trade corridors.

The [Canadian Steel Producers Association](#) highlighted the *Special Import Measures Act* and proposed changes that it believes would better protect Canadian businesses from dumping in international markets. As well, [it](#) encouraged the government to continue its senior-level participation at the Global Forum on Steel Excess Capacity.

## **2. Foreign Direct Investment**

In providing comments to the Committee about foreign direct investment, the [Quebec Employers Council](#) indicated that the government should develop a plan to facilitate private investments in Canada and in Quebec, particularly by ensuring a competitive tax policy and regulatory framework. The [Canadian Association of Petroleum Producers](#) urged the government to create a stable and competitive investment climate in Canada's oil and natural gas sector, while [Unifor](#) said that the government should create a "one-stop" system to encourage new investments in Canadian automotive and automotive parts plants. The [Atlantic Institute for Market Studies](#) advocated the establishment of a framework to attract foreign investments that would nurture small and medium-sized businesses. The [Advisory Council on Economic Growth](#) proposed that Canada create a foreign direct investment agency to target specific investments, with a particular focus on encouraging the creation of new businesses rather than purchases of those that already exist.

With a focus on foreign acquisitions of Canadian companies, the [C.D. Howe Institute](#) said that the government should replace the “net benefit” test that is applied when a foreign investors makes a large acquisition in Canada with a screening process focused on national security concerns. According to [Unifor](#), the 2012 amendments to the *Telecommunications Act* regarding foreign ownership should be reversed.

In mentioning foreign direct investment by Canadian businesses abroad, the [Manitoba Chambers of Commerce](#) highlighted the need for a national development finance institution that would help these businesses deploy technology and capital in emerging markets.

### **3. Duty and Border Issues**

The Committee was told about Canada’s *de minimis* threshold, with the [Canadian Vehicle Manufacturers’ Association](#), [eBay Canada Limited](#) and the [Canadian Chamber of Commerce](#) supporting an increase in the threshold. However, the [Recreation Vehicle Dealers Association of Canada](#), the [Retail Council of Canada](#) and the [Canadian Health Food Association](#) urged the government to maintain the threshold at its current level.

Witnesses also highlighted various other duty- and tariff-related issues. For example, the [Canadian Airports Council](#) suggested that Canadian airports be permitted to provide duty-free sales upon arrival in Canada from international destinations, while the [Greater Toronto Airports Authority](#) supported the creation of arrival duty-free shops and the ability for duty-free shops to sell to both domestic and international passengers. The [Retail Council of Canada](#) called for the elimination of import tariffs in certain situations, specifically: where the volume of Canadian production of a good is limited; where products are subject to high tariff rates; and where the products in question are considered necessities for Canadian families. The [Recreation Vehicle Dealers Association of Canada](#) advocated elimination of the duties on aftermarket recreation vehicle parts.

Regarding rules of origin and the threshold at which they apply, the [C.D. Howe Institute](#) urged a change from the face value of shipments to the most-favoured-nation tariffs payable on them.

According to the [Canadian Vehicle Manufacturers’ Association](#), the Generic Harmonized System Codes should be expanded to include commercial goods. [It](#) also suggested that communications about delays at the border occur promptly, that the government harmonize Canada’s border policy with that of the United States, and that border infrastructure be made a key priority.

### **4. Domestic Trade**

The Committee was informed about a range of barriers to internal trade. For example, the [Manitoba Chambers of Commerce](#) and the [Business Council of Manitoba](#) asked the government to continue negotiations with the provinces/territories regarding liberalized internal trade, with the [Manitoba Chambers of Commerce](#) also suggesting that one negotiating goal be an expanded ability for private parties to seek redress in the courts. The [Atlantic Provinces Economic Council](#) proposed that the

government support provincial efforts to liberalize internal trade, particularly by addressing barriers under federal control, such as supply-managed systems. The [Canadian Federation of Agriculture](#) stated that the government should increase funding for Canada's Internal Trade Secretariat and enhance its leadership in seeking reduced internal trade barriers.

Regarding specific internal trade barriers, [Restaurants Canada](#) called on the government to urge the provinces to allow the foodservice sector to purchase alcohol from any jurisdiction without limitations, and to make this alcohol available to customers in any jurisdiction. According to the [Canadian Federation of Agriculture](#), governments should harmonize transportation regulations, and coordinate federal and provincial food processing standards.

In focusing on barriers to the free movement of labour between provinces, [Financial Executives International Canada](#) asked the government to continue to provide leadership, and to enhance collaboration among governments and businesses to eliminate these barriers.

## **5. The Committee's Recommendation**

Holding the view that people, goods and services should flow as easily as possible within Canada, the Committee recommends:

### **RECOMMENDATION 48**

**That the Government of Canada continue its vigorous pursuit of the removal of internal trade barriers through direct negotiations with provincial/territorial governments designed to ensure the free flow of people, goods and services throughout Canada.**