

**GOVERNMENT RESPONSE TO THE FOURTEENTH REPORT OF THE HOUSE
STANDING COMMITTEE ON FOREIGN AFFAIRS AND INTERNATIONAL
DEVELOPMENT ENTITLED *MOVING THE RELATIONSHIP FORWARD: NAFTA
MODERNIZATION AND NORTH AMERICAN TRILATERAL COOPERATION***

INTRODUCTION

The Government of Canada is pleased to respond to the Fourteenth Report of the House of Commons Standing Committee on Foreign Affairs and International Development, entitled *Moving the Relationship Forward: North American Free Trade Agreement (NAFTA) Modernization and North American Trilateral Cooperation*.

The Government of Canada appreciates the work of the Committee and welcomes its analysis, views and recommendations, based on the Committee's mission to Mexico and the United States, and meetings with stakeholders in Ottawa. The Government has carefully reviewed the Committee's report and recommendations and welcomes the opportunity to provide a response, organized along the following two themes:

- NAFTA modernization; and,
- enhancing North American cooperation.

The Government thanks the Committee for its report and for its continued interest in NAFTA modernization and the trilateral North American relationship.

NAFTA MODERNIZATION

This theme addresses recommendations 1, 2, 3 and 4 of the Committee's report.

NAFTA supports millions of well-paying, middle-class jobs in Canada. Since NAFTA entered into force in 1994, annual trade among the three NAFTA countries has more than tripled. Our combined GDP is over US\$22 trillion – more than double what it was in 1993. This trade integration and cooperation makes us more competitive in the world and supports millions of jobs across North America.

Over the past 24 years, NAFTA has supported the development of a highly integrated North American economy and enhanced the competitiveness of the region globally. During this time, the world has seen the rise of new digital economies and rapid technological advances. A modernized NAFTA needs to address this new reality in a way that ensures that North America continues to have a vibrant and internationally competitive technology sector, and that all sectors of the economy can reap the benefits of the digital revolution. Canada is also seeking improvements to better facilitate the flow of goods, services and investment within the North American region, strengthen economic exchanges across the continent, and cut red tape for SMEs at the border.

The Government continues to engage constructively with both the United States and Mexico with the aim of reaching mutually-beneficial outcomes that will continue to serve Canadians for decades to come. Canada remains committed to advancing a new and modernized NAFTA that moves the trilateral relationship forward. While it is important for Parties to take the time necessary to come to an agreement that will benefit the North American economy, Canada will continue working to advance these negotiations by putting forward creative ideas and solutions that will enhance the competitiveness of North America in the global economy. The Government will not accept an outcome that is not in Canada's overall best interest.

A strong and unified pan-Canadian approach is essential to protecting our national interests and advancing Canadian priorities in the NAFTA negotiations. Canada's strategy of high-level engagement with the United States aims to build and strengthen key relationships with influential business leaders, senior United States officials and key decision-makers, not only at the national level, but also at the state and municipal levels across the United States. It also serves as an opportunity to underline that 9 million U.S. jobs and US\$2.4 billion in trade per day rely on our continued close economic and commercial cooperation.

In concert with leadership in the provinces, territories and municipalities, the Government is pursuing a "whole-of-Canada" approach to engagement that reflects the multi-layered nature of the Canada-United States relationship. This includes outreach by the Prime Minister and members of Cabinet, parliamentarians, premiers, provincial/territorial ministers and mayors across the United States. The Government and its partners are also reaching out to states who would see immediate economic consequences of a withdrawal from NAFTA by the United States, as well as members of Congress on key committees, and business leaders whose success depends on NAFTA. Through this outreach, Canada is sending a clear message that a failure to preserve the benefits of NAFTA would have real and negative consequences for the North American economy. The Government of Mexico and its representatives abroad are also valuable partners in making the case for a modernized NAFTA and Canada will continue to seek opportunities for coordinated or joint NAFTA advocacy activities.

The Government of Canada recognizes that trade is vital for the Canadian economy and Canadian jobs. On March 8, 2018, the Government of Canada was pleased to take part in the signing of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which will benefit Canadians for decades to come. Canadian workers, producers, farmers, entrepreneurs and business of all sizes will benefit from the CPTPP, which will diversify our export markets, strengthen our ties with the Asia-Pacific region and create good Canadian jobs. Canada is also pursuing ongoing World Trade Organization negotiations, and free trade agreement (FTA) negotiations with Mercosur, India, and the Pacific Alliance. Canada is also undertaking FTA exploratory discussions with China and the Association of Southeast Asian Nations (ASEAN).

Canada will continue to embrace open and rules-based trade while making sure the gains from trade are more broadly and equitably shared. As such, Canada is proposing to: integrate strong labour and environment chapters; reinforce the right of governments to regulate in the public interest; and, integrate new chapters on trade and gender, and trade and Indigenous peoples.

The Government has consulted extensively with Canadians and is taking an ambitious approach that reflects Canada's high labour standards and the need to ensure a level-playing field for Canadian workers and businesses. As part of the modernization of NAFTA, Canada aims to incorporate comprehensive labour obligations into the agreement.

The Government of Canada is firmly committed to the principle that trade and investment liberalization and environmental protection should go hand-in-hand. As part of the modernization of NAFTA, Canada is proposing to incorporate highly ambitious comprehensive environmental obligations into the agreement. Specifically, Canada is proposing commitments for NAFTA countries to maintain high levels of environmental protection and robust environmental governance as trade is liberalized, to effectively enforce their environmental laws, and to not weaken or derogate from these laws in order to encourage trade or investment. As well, Canada is proposing commitments that support efforts to address global environmental challenges, including climate change.

The Government recognizes the importance of gender considerations as they relate to FTAs, which is why Canada has proposed a stand-alone chapter on trade and gender. This chapter would provide a framework to undertake cooperative activities on issues related to gender and trade to help ensure that women and women-owned enterprises can benefit from the opportunities that flow from NAFTA trade and investment.

The Government has been in close dialogue with Indigenous partners regarding Canada's efforts to advance the concept of a NAFTA chapter on trade and Indigenous peoples, a first for Canada. The Government remains committed to continuing the dialogue with Indigenous peoples on how a modernized NAFTA can better address their concerns and support the ability of Indigenous peoples and businesses to benefit from NAFTA trade and investment.

ENHANCING NORTH AMERICAN COOPERATION

This theme addresses recommendations 4, 5 and 6 of the Committee's report.

While NAFTA is the cornerstone of our shared economic prosperity, foreign ministers from Canada, Mexico and the United States cooperate on regional and global issues of concern. Working together at the Summit of the Americas and in the G20 context, we can help to advance democratic governance and our shared security interests on borders and transnational crime. Similarly, ministers responsible for energy, defence, environment, and health meet regularly to advance our countries' shared priorities in these areas to make our hemisphere safer and more secure.

Canada's Cooperation with Mexico

Mexico is a key strategic partner of Canada and the strengthening of this bilateral relationship is a priority for the Canadian government. In addition to being one of Canada's top trade partners, Mexico is also a long-term strategic partnership, including in the area of economic prosperity, security and mobility.

In the first eleven months following the lifting of the visa requirement on Mexican citizens on December 1, 2016, the number of Mexican visitors to Canada increased by 51%. In addition, Canada's Seasonal Agricultural Worker Program continues to be a highly-successful labour mobility program through which more than 23,000 agricultural workers from Mexico came to Canada in 2016.

Mexico is a priority market for Canada with respect to international education promotion and academic mobility and cooperation. In any given year, approximately 15,000 Mexican students choose Canada as a study destination.

Canada offers scholarships to Mexican students through the Emerging Leaders in the Americas Program for short-term study and research. In addition, Mitacs, a Canadian organization that funds research and training, offers two-way student mobility programs to Canadians and students from 10 countries (including Mexico) through industrial research internships and research opportunities in universities and companies.

The International Development Research Centre (IDRC) will offer a CA\$1.5 million grant to the *Centro de Investigaciones y Estudios Superiores en Antropología Social* (CIESAS) to fund up to 20 postdoctoral fellowships for Indigenous Mexican women pursuing studies in science, technology, engineering and mathematics (STEM).

Youth Exchanges

Canada sees international education and mechanisms for youth exchange as important pillars in fostering strong economic ties, building human capacity and strengthening North American relations in the global economy. Youth mobility enhances people-to-people ties, increases research collaboration, and promotes sharing of expertise in areas of common interest.

International work and travel experiences for youth also offer unique opportunities for personal and professional development. The Government of Canada supports youth mobility through International Experience Canada (IEC), which manages 34 youth mobility arrangement (YMAS). While there is significant interest in IEC among foreign youth, Canadian youth interest in working and travelling abroad remains low. As a result, Canada is focused on addressing barriers to participation, raising awareness of IEC among Canadian youth, and working with partners and stakeholders to improve opportunities for Canadians abroad. Canada continues to monitor and assess opportunities for potential YMAS with new partners to offer meaningful opportunities for Canadian youth abroad. Canada welcomes opportunities to further explore YMAS within North America and will continue to collaborate with our partners in Mexico and the United States.

CONCLUSION

Over the past 24 years, NAFTA has been an engine of economic growth and job creation, and has increased North American competitiveness in the global marketplace. In the modernization of NAFTA, Canada will continue to uphold the element of the agreement that are key to our national economic interest, while advancing opportunities to make NAFTA more inclusive and ensuring the North American economy remains competitive in the global marketplace. The Government of Canada continues to engage in a constructive dialogue with both Mexico and the United States to enhance the existing NAFTA in ways that would move the trilateral relationship forward.

The Government of Canada recognizes the importance of continued collaboration and cooperation with our North American partners, which extends beyond free trade. This includes supporting international education and mechanisms for youth exchange to further strengthen economic ties. Canada will continue to cooperate with Mexico and the United States on issues of regional and global concern and advance our countries' shared priorities to make our hemisphere more secure and prosperous.