



THE CANADIAN  
CHAMBER  
OF COMMERCE

LA CHAMBRE  
DE COMMERCE  
DU CANADA



Canadian  
Services  
Coalition

May 16<sup>th</sup> 2018

Ana Renart  
Director General  
Global Affairs Canada

Dear Ana,

Thank you for recently taking the time to meet regarding Global Affairs Canada's discussions towards Canadian associate membership with the Pacific Alliance. As promised in follow-up to our discussion, I have further consulted with Canadian Chamber of Commerce members and the Canadian Services Coalition (CSC) about their priorities for these negotiations. Members recognize the discussions with the Pacific Alliance are already well advanced, including with the most recent negotiating round in Ottawa, but they were keen to share their priorities none the less.

The Chamber and CSC strongly support the Government of Canada's objective to become an associate member of the Pacific Alliance as means to update our existing individual trade agreements with the bloc. With a significant number of observers, and three other countries also in the process of becoming associate members, it is important we maintain the first mover advantage which was gained through becoming the first non-Latin American observer country. This will also enable Canada to become a hemispheric leader in free and open trade.

In securing an agreement with the Pacific Alliance that delivers for Canadian business, we see potential to move forward in a number of areas.

#### Tariffs

Canada's trade agreements with the Pacific Alliance countries have already reduced most of the tariffs faced by Canadian companies. However, we hope that the government can use these negotiations to eliminate the remaining obstacles which exist. One aspect of this includes accelerating any tariff phase outs imposed by Pacific Alliance members which have not reached the end of their staging period. As part of these discussions, we also ask that the government use this negotiation as an opportunity to rectify issues currently faced by Canadian exporters with regards to Colombia's application of the Andean Price Band system.

#### Rules of Origin

This negotiation also presents an opportunity to build Canadian supply chains in the region, and we support simplified rules of origin within this trade agreement. However, given the Pacific Alliance is in the midst of an ambitious expansion phase, the government should include forward looking provisions which could permit cumulation in the future with other parties. These could be particularly valuable given the overlap with the membership of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership.

#### Investment

The Chamber and CSC welcome the Government of Canada's continued support for the inclusion of investor-state dispute clauses in free trade agreements, including with the Pacific Alliance. In pursuing these clauses during the current negotiation, it is important for the

government to ensure that the level of protections do not decrease relative to the provisions which exist in the current FTAs with Pacific Alliance members.

### Digital Trade

The flow of digital information has proven itself to be a key driver of economic development and job creation. The Internet and internet-enabled services, which rely on cross-border data flows, are vital for Canadian companies across all sectors of the economy and are particularly critical for small- and medium-sized enterprises (SMEs). Access to digital products and services, such as cloud applications, provides SMEs with cutting edge services at competitive prices, enabling them to participate in global supply chains and directly access customers in foreign markets in ways previously only feasible for larger companies. Canadian business competitiveness is best supported by a flexible approach to trade in digital services. It is important that the government insist on provisions that prevent data localization requirements or require the disclosure of source code. These provisions should also take a balanced approach to the protection of sensitive personal data. In pursuing these clauses with the Pacific Alliance, Canada can position itself as a leader in the development of norms around cross-border data flow provisions in trade agreements.

Given the advances happening in the Pacific Alliance pertaining to digital innovation in financial services, this trade agreement should also encompass provisions to support cooperation in the regulatory space.

### Customs and Trade Facilitation

We recognize the existence already of various customs and trade facilitation provisions in Canada's trade agreements with Pacific Alliance members. However, we support the government looking at ways deepen its dialogue with the Pacific Alliance on future customs and regulatory cooperation. In this context, the present negotiation provides an opportunity to encourage greater deployment of customs automation and pre-arrival risk assessments to facilitate trade and increase transparency. These provisions can have a particularly positive impact on small businesses, because missed shipments damage a business's reputation and lead to financial losses, particularly when shipping time sensitive products. The text in the original Trans-Pacific Partnership Customs and Trade Facilitation chapter provides a helpful benchmark.

### Temporary Entry

Canada's discussions with the Pacific Alliance also present an opportunity to modernize temporary entrance provisions with two goals in mind. Firstly, greater harmonization would increase transparency and ease of use by Canadian businesses wishing to move staff involving their Pacific Alliance operations where it is needed most. This should also facilitate – and be accompanied by – predictable eligibility rules and adjudication procedures to give confidence to travelers and assist in business planning. Secondly, as the Pacific Alliance expands its membership, Canada's agreement with the bloc needs to be adaptable and allow for future updates to be made as seamlessly as possible. This future proofing would provide an ability to be flexible to the needs of business in our rapidly changing economic landscape.

### Follow-Up Support from the Trade Commissioner Service

Lastly, it is crucial that the efforts of Canada's negotiators can be leveraged by Canadian companies after the agreement enters into force. We ask that your team continue to work closely with the Trade Commissioner Service (TCS) to promote the opportunities presented once this agreement is concluded. The on-the-ground presence provided by the TCS is particularly vital if we are to increase SME use of trade agreements.



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The Canadian Chamber of Commerce and Canadian Services Coalition is grateful for the opportunity to share its comments on this negotiation. We look forward to working with you and your team as discussions progress.

Regards,

Mark Agnew

Director International Affairs, Canadian Chamber of Commerce  
Executive Director, Canadian Services Coalition

CC:

As per covering email