



August 18, 2009

The Hon. Gordon Campbell MLA  
British Columbia-Provincial Legislature  
Via Fax: (250) 387-0087

Dear Premier:

We would like to bring to your attention an issue several key stakeholders in international export development and trade recently have begun engaging with the federal government: The development of Free or Foreign Trade Zones (FTZs) in Canada. We believe that these have great potential to help Canadian provinces improve their competitive positions as centres for international trade and export.

The Canadian Airports Council, the Canadian Chamber of Commerce and the Canadian Manufacturers and Exporters are united in our support for this initiative. We seek your support, including a commitment to provincially recognise any free trade zones that may be developed under a new FTZ program.

FTZs have enjoyed significant success in other markets around the world, including the United States. In fact, a key component to the prosperity of global trading hubs is their proximity to a Free/Foreign Trade Zone (FTZ) – most if not all have FTZs nearby. By lowering barriers to trade, these zones are designed to help countries to improve their relative competitiveness as hubs of trade and transportation. Accordingly, the concept has exhibited strong growth and economic success throughout the world.

Foreign trade zones (FTZs) are facilities where goods from outside a country can be stored or processed duty and tax free, prior to a) shipment to another country, or b) import (via the normal custom process) into the domestic economy. FTZs have proven to be powerful economic generators, providing a number of advantages to their users, firms involved in international trade, including:

- Improved cash flow
- Reduction or elimination of duties
- Fewer quota restrictions
- Avoidance of inverted tariffs
- Access to economic incentives.

There are more than 500 distinct FTZs worldwide, a number that has more than tripled in the past three decades. In the United States alone, there are more than 250 general purpose FTZs in all 50 states and Puerto Rico. In fact, Canada is the only G8 country that does not utilize a true FTZ program.

While the Canadian government attempted to introduce similar incentives earlier this decade through the Export Distribution Centre (EDC) and other programs, several limitations in the application of these programs have meant lower than expected uptake by industry. Indeed, available information suggests only 30 applications for EDC programs were received by 2004 and only a few in the years since.

The stated intent of the EDCP was to create zones analogous to FTZs in other countries. However, the program was not designed for a typical situation. It was implemented as a program with appeal to a limited target audience – domestic or foreign distributors of product with very limited interest in the Canadian domestic market. Substantial alteration of property and/or manufacturing simply cannot be done within the provisions of the EDC program.

We contend that existing programs do not meet the needs of globalized businesses and new policy and programs are necessary to improve Canada's competitiveness in stimulating the use and investment in Canadian transportation and manufacturing sectors. As Canada continues to seek trade liberalization with other countries of the world, introducing FTZs in Canada would be a unilateral way to encourage foreign investment here at home.

While there are Canadian programs that would allow manufacturing, they face their own limitations. The Duty Relief program applies only to duties and not taxes, and thus imposes a cash-flow burden on operators. The Exporters of Processing Services (EOPS) program applies to both duties and taxes, but services have to be performed on goods from unrelated entities (i.e. in the business of providing a service rather than a product).

There are critical changes occurring in the logistics world today that indicate strongly that the time is right for Canada to revisit its lack of a true FTZ policy. There is an emerging trend to near-shoring manufacturing by U.S. firms, in large part due to rising transportation costs, but also due to an ability to achieve greater reliability.

There also continues to be significant foreign investment interest in facilities to penetrate the NAFTA marketplace. This indicates an opportunity to reverse historic trends to off-shoring manufacturing to nations with inexpensive labour and to capture foreign-financed manufacturing activities in Canada. Having a comprehensive FTZ program in place would be an extremely useful element in the Canadian investment business case.

We, the undersigned, support trade policies and programs that improve Canada's competitiveness as a global trading hub. Accordingly we seek your support in talks with your federal counterparts for the creation and establishment of true, competitive Foreign Trade Zones within Canada.

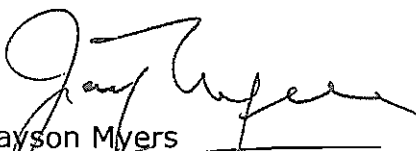
Sincerely,



Jim Facette  
President and CEO  
Canadian Airports Council



Perrin Beatty  
President & CEO  
Canadian Chamber of Commerce



Jayson Myers  
President & CEO  
Canadian Manufacturers & Exporters

CC:

Jim Flaherty, Minister of Finance  
John Baird, Minister of Transport, Infrastructure and Communities  
Tony Clement, Minister of Industry  
Peter Van Loan, Minister of Public Safety



Premier of Alberta

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Office of the Premier  
Legislature Building  
Edmonton, Alberta  
Canada T5K 2B6  
Telephone 780 427 2251  
Fax 780 427 1349

September 2, 2009

Mr. Jim Facette  
President and CEO

Canadian Airports Council  
706, 350 Sparks Street  
Ottawa ON K1R 7S8

Mr. Perrin Beatty  
President and CEO

Canadian Chamber of Commerce  
420, 360 Albert Street  
Ottawa ON K1R 7X7

Mr. Jayson Myers  
President and CEO

Canadian Manufacturers and  
Exporters  
1500, 1 Nicholas Street  
Ottawa ON K1N 7B7

Dear Messrs. Facette,  and Myers:

Thank you for your letter of August 18, 2009 regarding the development of Free or Foreign Trade Zones in Canada.

The Government of Alberta has met with the Government of Canada to discuss this issue and is currently working with stakeholders, such as Edmonton Airports, to review the current structure, regulations and programs for Free or Foreign Trade Zones in Canada. As noted in your letter, issues related to the transparency and accessibility of relevant rules and regulations, limitations on the amount of value-added activity that can occur and tax treatment have been identified.

This process has also involved the examination of Free or Foreign Trade Zones in foreign countries, and some consideration of how Canadian tariff, tax and regulatory regimes might be adjusted to facilitate the type of value-added activity that can occur. This review is still ongoing.

I appreciate receiving your views, and I look forward to your further input as work on this issue continues.

Sincerely yours,

Ed Stelmach

ES/dm

Alberta

Freedom To Create. Spirit To Achieve.



## PREMIER OF SASKATCHEWAN

LEGISLATIVE BUILDING  
REGINA, CANADA S4S 0B3

September 9, 2009

The Honourable Perrin Beatty, P.C.  
President and CEO  
The Canadian Chamber of Commerce  
420 - 360 Albert Street  
OTTAWA ON K1R 7X7

Dear Mr. Beatty:

Thank you for your August 18, 2009 letter in which you profile your organizations' objectives in discussions with the federal government on initiatives to improve Canada's international competitiveness, including the development of free or foreign trade zones in Canada.

I am pleased that you are actively engaged with the federal government on these issues. Federal initiatives that are designed to build Canada as a location of choice for foreign and domestic investors alike and a platform to access key international markets should align with the interests of Canadian businesses that are engaged in, or affected by, international trade and export.

I am advised that key Saskatchewan stakeholders, including the Saskatchewan Trade and Export Partnership (STEP), are also advancing their interests in the federal discussions on these issues.

The Government of Saskatchewan will continue to make its voice heard in Ottawa to help ensure that federal policies and programs designed to liberalize trade and attract foreign direct investment in Canada deliver benefits to the Saskatchewan and Canadian business community.

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pcu-regina




The Honourable Perrin Beatty  
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September 9, 2009

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Thank you again for bringing your views on this federal initiative to my attention.

Sincerely,



Brad Wall  
Premier

cc Honourable Ken Cheveldayoff  
Minister Responsible for Trade and Enterprise Saskatchewan

Honourable Jim Reiter  
Minister of Highways and Infrastructure

Lionel LaBelle  
President and CEO  
Saskatchewan Trade and Export Partnership



**PREMIER OF MANITOBA**

Legislative Building  
Winnipeg, Manitoba, CANADA  
R3C 0V8

September 15, 2009

Mr. Jim Facette  
President and CEO  
Canadian Airports Council

Suite 706, 350 Sparks St.  
Ottawa ON K1R 7S8

Mr. Perrin Beatty  
President and CEO  
Canadian Chamber of  
Commerce

360 Albert St. - Suite 420  
Ottawa ON K1R 7X7

Mr. Jayson Myers  
President and CEO  
Canadian Manufacturers  
& Exporters

1 Nicholas St. - Suite 1500  
Ottawa ON K1N 7B7

Gentlemen:

Thank you for your letter of August 18<sup>th</sup>, 2009 regarding Free / Foreign Trade Zone (FTZ) in Canada.

The importance of having policies in place that make Canada globally competitive for both business and investment is understood. I commend your efforts to engage the federal government in discussions around Foreign Trade Zones and how Canadian policies compare to those available in other jurisdictions around the world.

I support the objective of establishing a competitive foreign trade zone program in Canada. The Province of Manitoba and CentrePort Canada are working actively with the federal government on how we can best accomplish this. Should your office wish to follow up, you may contact Ms. Diane Gray, Deputy Minister of Federal-Provincial, International Relations and Trade and Deputy Minister of Finance at (204) 945-5343.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary Doer".

Gary Doer

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*Leah*

OCT 29 2009



THE PREMIER  
HALIFAX, NOVA SCOTIA  
B3J 2T3

OCT 22 2009

Mr. Jim Facette  
President and CEO  
Canadian Airports Council  
Suite 706, 350 Sparks Street  
Ottawa, ON K1R 7S8

Mr. Perrin Beatty  
President and CEO  
Canadian Chamber of Commerce  
360 Albert Street, Suite 420  
Ottawa, ON K1R 7X7

Mr. Jayson Myers  
President and CEO  
Canadian Manufacturers and Exporters  
1 Nicholas Street, Suite 1500  
Ottawa, ON K1N 7B7

Dear Sirs:

Thank you for your recent letter regarding the possible establishment of Foreign Trade Zones (FTZs) in Canada. As you know, the Government of Nova Scotia is a strong proponent of the Atlantic Gateway initiative, and, in that context, I am intrigued by your view that FTZs could advance our strategic objective of boosting our province's stature and performance as a hub for trade, investment, and transportation.

I understand from your letter that your organizations are in the process of re-engaging the federal government on this interesting issue. For our part, Nova Scotia's officials have asked their federal counterparts to place the FTZ issue on the agenda of a future meeting of the Committee of Senior Trade Policy Officials (C-Trade) so that more fulsome intergovernmental exploration of the issues surrounding the creation of FTZs in Canada can occur.

Thanks again for providing me with the rationale and background on FTZs. We look forward to engaging you further on this important issue.

Sincerely,

A handwritten signature in black ink, appearing to read 'Darrell Dexter'.

Darrell Dexter  
Premier of Nova Scotia

cc: Honourable Percy Paris, Minister of Economic and Rural Development



Government of Newfoundland and Labrador  
Innovation, Trade and Rural Development  
Office of the Minister

November 25, 2009

Mr. Jim Facette  
President and CEO  
Canadian Airports Council

Mr. Perrin Beatty  
President and CEO  
Canadian Chamber of Commerce

Mr. Jayson Myers  
President and CEO  
Canadian Manufacturers and Exporters

Dear Sirs:

As the Minister responsible for international trade, I am writing on behalf of Premier Danny Williams. Thank you for your letter to Premier Williams regarding the development of Free or Foreign Trade Zones (FTZs) in Canada.

The current world economic crisis offers many opportunities to work with provinces and countries to offer a more flexible and user friendly environment to enable the free flow of products into and out of Canada.

The Province of Newfoundland and Labrador is eager to attract and expand business in this province, and currently offers a variety of programs such as a tax exemption of up to 15 years, market development funding and seed equity. This, along with a 10 year matching exemption by municipalities, provides incentive for any new business that wishes to establish in this province.

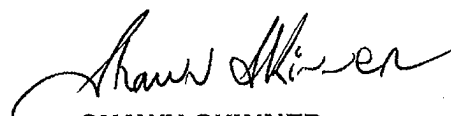
The Town of Gander, which is steeped in aeronautical history, currently operates a modified FTZ and allows goods to be brought into Canada without payment of duties or taxes within the current federal government tax structure.

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Newfoundland and Labrador continues to work to create an improved business environment for companies that operate in the province. Please be assured that I will be bringing this issue forward to my federal counterparts in the near future.

Sincerely,



**SHAWN SKINNER**  
Minister

p.c. Honourable Danny Williams