SUMMARY

1. During the period under review (2019-23), Canada took steps to continue improving its generally open and highly transparent trade regime, reflecting the centrality of international trade and the global rules-based trading system to Canada's economy and high living standards. Canada's trade strategy seeks to revitalize exports and promote diversification, not just of export markets and products, but also of the businesses and people engaged in trade, including women, Indigenous Peoples, and other traditionally under-represented groups. In line with these goals, the review period saw Canada adopt measures to facilitate trade, strengthen its competition policy and intellectual property (IP) frameworks, promote R&D, modernize its regulations in key sectors, and expand its network of free trade agreements.

2. Since 2019, Canada has also taken measures to capitalize on emerging trade opportunities, especially those resulting from the global transition to net-zero emissions. Along with measures to strengthen its carbon pricing scheme, Canada adopted a package of green incentives and a critical minerals strategy. At the same time, Canada has introduced trade- and investment-related instruments to respond to perceived unfair trade practices abroad. For example, Canada adopted a new policy on the review of foreign SOE investments in critical minerals, introduced legislative amendments to improve the effectiveness of Canada's trade remedy system, and announced a shift away from an open to a reciprocal government procurement policy.

3. To ensure that international trade plays an even bigger role in its future prosperity, Canada would benefit from addressing long-standing trade and investment barriers, including those caused by regulatory differences at the sub-federal level. Doing so could help further reduce trade costs, increase competition, and accelerate lagging productivity growth, which is essential to sustain continued improvements in Canadian living standards. In the absence of rapid productivity growth, Canada has relied on skill-based immigration to bolster GDP growth, which averaged 1.5% per year in real terms between 2018 and 2022 against the backdrop of several shocks, not least the COVID-19 pandemic, the war in Ukraine, a global surge in inflation, and record wildfires in 2023. Initiatives undertaken during the period under review to improve housing affordability and provide subsidized childcare should exert a positive impact on Canada's labour force participation and productivity.

4. Trade in goods and services represented about 67% of Canada's GDP in 2022. Canada's merchandise trade remains geographically concentrated in the US market, which is the destination for three quarters of Canada's exports and the origin of half of its imports. A substantial part of this comprises intra-industry trade in vehicles and transport equipment, reflecting Canada's successful integration into North America's tightly knit automotive supply chain, which has been facilitated by NAFTA and, since July 2020, the Canada–United States–Mexico Agreement (CUSMA). Canadian industries have also integrated successfully into global value chains. The information and communications technology sector (ICT) is a case in point, as most of Canada's ICT product exports are in intermediate goods to a broad range of destinations beyond North America. Canada, a net services importer, is a strong performer in services trade involving highly skilled labour. At the same time, Canada continues to run a deficit in IP revenue.

5. FDI, both inward and outward, is an important aspect of Canada's economy. In general, non-Canadian investors must submit a notification whenever they establish a new business in Canada or acquire control of an existing Canadian business. Moreover, investments by non-Canadians to acquire control of a Canadian business valued above certain thresholds are subject to a "net benefit" review. The thresholds depend partly on the origin of the investment. All foreign investments are subject to a separate national security review. During the period under review, Canada revised the 2016 Guidelines on the National Security Review of Investments with the goal of providing more information to potential investors on the factors considered in national security reviews. The number of cases deemed potentially injurious to national security and referred to "extended" national security review was up more than threefold between FY2018/19 and FY2022/23 but represented a negligible share of all notified foreign investments. Most long-standing foreign ownership restrictions, including those affecting essential inputs such as telecommunications, remain in place. Canada includes investment chapters in its FTAs, and negotiates stand-alone investment treaties, referred to as Foreign Investment Promotion and Protection Agreements (FIPAs), which seek to protect and promote foreign investment between parties through legally binding provisions. Canada updated its model FIPA in 2021.

6. One of Canada's trade policy priorities is to safeguard and strengthen an open, stable, and inclusive rules-based global trading system. In line with this, Canada actively participates in the WTO, including the Joint Statement Initiatives, and has taken a leadership role in advancing discussions on WTO reform and seeking to increase the WTO's contribution to environmental sustainability, women's economic empowerment, and the participation of MSMEs in global trade. Canada deposited its instrument of acceptance for the Agreement on Fisheries Subsidies in May 2023. Reflecting the transparent nature of its trade policy regime, Canada is up to date with its WTO notification obligations.

7. Canada considers that multilateral, regional, and bilateral trade initiatives are mutually reinforcing. During the period under review, two new FTAs signed by Canada entered into force, CUSMA on 1 July 2020 and the Canada–United Kingdom Trade Continuity Agreement (CUKTCA) on 1 April 2021, bringing the total number of FTAs to which Canada is a party to 15. In 2022, 55% of Canada's total merchandise trade took place under CUSMA. Canada maintains unilateral preferential tariff programmes for developing countries. During the period under review, Canada announced their renewal, along with the creation of the General Preferential Tariff Plus programme, which seeks to create incentives for beneficiaries to meet international standards on human rights, labour, gender equality, and climate change. New regulations that will come into force in January 2025 will simplify certain rules of origin and direct shipment requirements under Canada's preferential tariff schemes, and extend duty-free treatment to textiles and apparel products under its preferential tariff scheme for 18 Caribbean trading partners.

8. Another focus of Canadian trade and economic policy is to reduce or eliminate barriers to the free movement of persons, goods, services, and investments within Canada. To this end, Canada's federal, provincial, and territorial (FPT) governments signed the Canadian Free Trade Agreement (CFTA), which entered into force in 2017 and was amended twice during the period under review. In the context of the CFTA, Canada has made progress in addressing regulations that act as barriers to internal trade. Accelerating this work would be important, as it is estimated that regulatory barriers increase internal trade costs by 21% on average, and that removing them would result in a 3.8% increase in GDP per capita.

9. During the period under review, Canada continued to pursue trade-facilitative customs initiatives. For example, Canada expanded its Authorized Economic Operator regime by signing four new mutual recognition agreements with trading partners, took steps to streamline its customs release system, which currently offers five different options to transmit import documentation, and moved closer to rolling out a digital tool for paying customs duties and taxes. In addition, Canada fully implemented its eManifest programme, which involves an Internet-based portal specially developed to facilitate advance electronic reporting of cargo information by small- and medium-sized businesses. Canada also introduced new tools for faster and more targeted post-clearance customs verifications on goods that present a high risk of misclassification or undervaluation. Under Canada's low value shipment policy, the *de minimis* threshold below which courier imports are not subject to customs duties and/or taxes is higher for qualifying goods from Mexico and the United States than for qualifying goods from other trading partners.

10. The 2023 average applied MFN tariff rate, at 6%, remains virtually unchanged with respect to Canada's previous Review (6.1%). Around 71% of tariff lines are duty-free on an MFN basis. Canada continues to apply non-*ad valorem* duties on agricultural products representing 3.6% of total tariff lines. The applied MFN tariff on agricultural products (WTO definition) averaged 21.8%, compared with 2.5% for non-agricultural products. Tariff rate quotas are applied on 191 tariff lines, including dairy products, poultry and egg products, beef and veal, and certain wheat and barley products. All but 35 tariff lines are bound, with applied rates close to or coinciding with their bound rates, which adds stability and predictability to Canada's tariff regime. The applied MFN rates for eight tariff lines related to agricultural products appear to exceed their corresponding bound rates. Canada continues to provide a wide range of tariff and tax exemptions under specific regulations.

11. Canada's system of indirect taxation includes a VAT comprising a federal component in the form of a Goods and Services Tax (GST), and, depending on the destination of the supply or import of the taxable good or service, normally also a provincial component in the form of either a Harmonized Sales Tax (HST) or a Provincial Sales Tax. A major change during the period under review was the introduction in July 2021 of new rules to ensure that GST/HST applies to digital economy businesses, including those supplying cross-border digital products (such as e-books) or services (such as online music streaming or digitally delivered legal and accounting services), mobile

app stores and online marketplaces facilitating those cross-border supplies, and accommodation platform operators.

12. Canada levies federal excise taxes at the same rate on imported and domestic products, except for certain quantities of beer brewed in Canada each year, which is subject to lower excise duties than imported beer, and 100% Canadian cider and mead, which are exempt. A federal excise duty exemption on 100% Canadian wine was eliminated in June 2022. Provinces and territories also levy product-specific taxes. Alcoholic beverages are subject to a particularly complex system of provincial taxes and mark-ups, which vary across provinces and may involve tax and mark-up reductions to in-province producers. Some provinces eliminated such preferential treatment during the period under review.

13. A carbon price system applies in every province and territory, which can opt for the federal system or design their own pricing systems tailored to local needs, provided that the systems meet the minimum requirements in the so-called "federal benchmark". In August 2021, Canada published an updated federal benchmark for the period 2023-30. The updated benchmark requires that measures to prevent carbon leakage be adopted only for sectors that risk experiencing carbon leakage and negative competitiveness effects from a carbon price. The benchmark also prohibits measures that would undermine carbon pricing, including rebates tied to the amount of the carbon price or fuel tax reductions to offset the carbon price. Canada does not apply border carbon adjustments on imports.

14. Canada remains an active user of trade remedies. At the end of 2022, 115 anti-dumping measures were in force (up from 83 in December 2018) across a larger group of trading partners (41 trading partners in December 2022 compared with 29 in December 2018). The number of countervailing duties in force has also increased, from 28 in December 2018 to 34 in December 2022. The iron and steel sector is the most affected by trade remedy investigations and measures. Most Canadian investigations involve exports of the same product from several trading partners, and the same products and trading partners are frequently subject to both anti-dumping and countervailing duty investigations.

15. During the period under review, Canada amended its trade remedy legislation in response to stakeholders' perceived need to increase its effectiveness in the face of changes in the global economy. The legislative amendments relate to anti-circumvention investigations, massive importation inquiries, injury assessments, expiry reviews, and the rights of labour unions to file trade remedy complaints. Canada also applied safeguard measures on certain steel products between 2018 and 2021 and amended related legislation to, *inter alia*, allow labour unions to file global safeguard complaints.

16. Canada has long maintained programmes to assist Canadian exporters. Its main export credit agency, EDC, "facilitated" an average of CAD 111 billion in exports and related activities each year between 2018 and 2022, predominantly through credit insurance programmes. In addition to its more traditional role as an export credit agency, EDC develops financing relationships with foreign buyers to expand and diversify Canada's exports. The Federal Government may also support, under the so-called Canada Account, export transactions that are judged to be in the "national interest" but too risky or large to be approved under EDC's corporate account. As at end-March 2022, the Canada Account held about CAD 65 billion in contingent liabilities, much of it related to emergency liquidity provided to Canadian businesses in the context of the COVID-19 pandemic.

17. Canada also offers a wide range of support programmes that seek to encourage investment, spur innovation, foster employment, promote regional economic development and cultural priorities, and more recently, mitigate the effects of the COVID-19 pandemic. During the period under review, Canada introduced new support measures targeted at priority areas of the clean economy, partly in response to the adoption of similar measures in Canada's main trading partners. Support includes five investment tax credits valued at CAD 60 billion over the next 10 years, along with CAD 20 billion in strategic financing by the Canada Infrastructure Bank. The authorities are of the view that such support is needed for Canada to capitalize on the "race to build the clean economies of the 21st century" and growing efforts by Canada's allies to shift economic dependencies towards partners with shared interests and values.

18. Canada has a transparent standards regime underpinned by a well-developed infrastructure with broad participation of standards development organizations, conformity assessment bodies, and many other stakeholders. Since its last Review, Canada has updated its National Standards Strategy, which highlights the need to foster harmonization, including across FPT and municipal levels of government to facilitate internal trade. As part of broader plans to modernize Canada's regulatory system, Canada launched regulatory reviews in existing and emerging areas to reduce bottlenecks to innovation, growth, and competitiveness, while continuing to protect health, safety, and security.

19. Canada's food safety control system underwent its most significant revision in 25 years with the entry into force of the Safe Food for Canadians Act and the Safe Food for Canadians Regulations in January 2019. The new system seeks to ensure that imported food is made in a manner and under conditions that provide the same level of protection as food made in Canada. To obtain a food import licence, importers are required to prepare a preventive control plan, along with complaints and recall procedures, and must keep traceability records for all imported food. In May 2022, Health Canada published new guidance for novel food regulations focused on plant breeding.

20. During the period under review, Canada took important steps to modernize its Competition Act. A first set of amendments addressed certain perceived shortcomings in the Act to bring Canada more in line with international best practices, for example by increasing penalties for companies that contravene the Act and rendering wage-fixing and no-poach agreements between employers criminal offences. A second set of amendments included granting the Competition Bureau compulsory information-gathering powers to conduct market studies. A bill that would make further amendments to the Competition Act was introduced in Parliament in November 2023. During the period under review, the Bureau signed three international cooperation instruments.

21. Public procurement, which represented approximately 13% of GDP in 2022, is governed by a framework of regulations, policies, and guidelines that differ across provinces and territories, and between them and the Federal Government. In a significant policy shift announced in Budget 2021, Canada stated its intention to replace its long-standing "open-by-default" government procurement policy with reciprocal procurement policies, whereby goods and services would only be procured from partners that grant Canadian businesses a similar level of access to their procurement markets. The main policy governing federal government procurement is the Directive on the Management of Procurement, which took effect in May 2021 and includes requirements to integrate principles on human rights, environmental sustainability, social and corporate governance, and supply chain transparency into all procurements. Canada has public procurement policies and programmes that seek to promote domestic production and the participation of Indigenous businesses and businesses from under-represented groups in federal government procurement.

22. In addition to initiating programmes and legislative reforms aimed at promoting R&D and the commercialization of innovation, Canada took steps to align its IP regime more closely with international practice and those of its primary trading partners by amending the Copyright Act, the Patent Act, the Trademarks Act, and the Criminal Code. Additional amendments to the Trademarks Act expanded the eligibility of non-traditional signs for registration and streamlined application procedures, and they aim to counter abuse of the trademark regime. No substantive changes were made to systems of protection for industrial designs, geographical indications, or plant varieties during the review period. With respect to Canada's registration systems, patenting activity remained relatively stable during the review period. Trademark applications surged following Canada's accession to the Madrid Protocol in 2019, slowing average turnaround times at the Canadian Intellectual Property Office (CIPO). Applications and registrations for design protection filed with CIPO – and by Canadians abroad – also increased after Canada joined the Hague System in 2018.

23. Canada is a large exporter of agriculture and agri-food products, and its agriculture and agri-food sector remains a major contributor to the economy. Agricultural policies aim to achieve sustainability, deal with the effects of climate change, reduce regulatory and other barriers, and improve access to healthy food. Partly in response to the economic impact of the COVID-19 pandemic and adverse weather conditions, Canada increased its Amber Box support to the agricultural sector during the period under review, though such support remains well below WTO bound levels. The dairy, poultry, and egg sectors are subject to supply management, which seeks to ensure that domestic demand is matched by regulated production and regulated imports with the goal of promoting stable farm incomes. In contrast to the rest of Canada's agricultural sector, which is relatively more open and highly outward-oriented, supply-managed products continue receiving

trade protection through high out-of-quota tariff rates (frequently exceeding 100%). For these products, access to the domestic market is available through reduced or zero in-quota tariff rates, including under Canada's preferential arrangements. Border measures, along with the production quotas and pricing mechanisms that underpin supply management, affect the prices Canadian consumers pay for supply-managed products relative to world levels. Canada eliminated its export subsidies as of end-2020, in accordance with the Nairobi Ministerial Decision.

24. Forestry, which represents 1.4% of Canada's GDP, contributed about 7% to total merchandise exports. As a net exporter of forest products, Canada remains a leading exporter of softwood lumber, while its exports of paper declined as the pandemic accelerated digitalization and reduced demand. Softwood lumber and logs are subject to export controls. Nearly 90% of Canada's forest is owned by provincial and territorial governments, which manage licences of forest companies and collect royalties for timber harvested. Domestic support has been provided for planting trees, collaborating with Indigenous Peoples on forest conservation, and applying advanced technologies to increase value added to forest products.

25. Canada is a net exporter of fish and fish products. Trade policy in respect of the fisheries sector is geared towards the sustainability and conservation of marine resources. Canada is undertaking operations on the high seas to detect and deter IUU fishing and has implemented the FAO Agreement on Port State Measures. The Freshwater Fish Marketing Corporation remains a state trading enterprise with exclusive rights to market and trade freshwater fish in the Northwest Territories and export markets. Foreign presence across commercial fisheries is low, at only 2% of licence holders and vessel owners. Foreign ownership restrictions on commercial fisheries take the form of residence requirements and foreign equity restrictions.

26. Canada is a net exporter of energy and mineral products. All of Canada's natural gas and electricity exports, and most of its crude oil exports are to the United States. To foster diversification, Canada is building two LNG export terminals, both targeting the Asian market. Canada must import natural gas and crude oil for refining in the eastern part of the country, partly reflecting the limited interconnection of the electricity grid and the oil and gas pipeline network between western and eastern Canada. Exports of energy products, including crude oil and refined petroleum products, natural gas (including LNG and propane), and electricity, require authorization.

27. Canada committed to increasing the share of renewable electricity to 90%, phase out coal from the energy mix, and ban thermal coal exports by 2030. To reduce carbon emissions, Canada relies on a broad range of market and regulatory approaches that seek to price carbon emissions, support the development of clean fuels such as low-carbon hydrogen and biofuels, promote the use of renewable energy, and improve energy efficiency. Crown corporations continue to play a major role in the energy sector (particularly the electricity sector), and prices are often regulated (electricity in some provinces, and refined oil). Under a new policy announced in October 2022, non-minority investments in critical minerals by a foreign SOE (or private investors deemed to be "foreign State-influenced") are unlikely to pass the "net benefit" review, and are more likely to be subject to the more rigorous "extended" national security review.

28. Canada's financial sector remains resilient but is relatively concentrated, with a few leading banking and insurance service providers accounting for the bulk of total assets in each sector. Requirements regarding foreign participation in the banking sector have remained unchanged since the previous Review. The Office of the Superintendent of Financial Institutions (OSFI) revised prudential requirements for banks to incorporate Basel III banking reform results. A Canada Recovery Dividend Tax, a one-time tax on taxable income above a certain threshold, has been levied on banks since 2022.

29. Insurance companies can incorporate either federally or provincially. The regulatory framework at the federal level has remained largely unchanged since the previous Review. In general, the same restrictions on insurance activities apply on foreign and domestic insurers under federal insurance legislation. No national securities regulator exists, with each Canadian province and territory having its own. Provincial and territorial securities regulators cooperate through an umbrella organization to develop a harmonized approach to securities regulations across Canada. During the period under review, the two self-regulatory organizations overseeing investment dealers and mutual fund dealers amalgamated into one national self-regulatory organization, which is expected to reduce regulatory duplication and burden.

30. During the period under review, the Canadian Radio-television and Telecommunications Commission (CRTC) issued several policies to enhance competition in telecommunications. Although foreign investment restrictions in telecommunications and broadcasting services remain, they do not apply to those telecommunications service providers (TSPs) with less than 10% revenue share of the telecommunications market or over-the-top broadcasters, which have been developing rapidly with the use of Internet and mobile devices.

31. As part of its Digital Agenda, Canada introduced two new pieces of legislation. The Online Streaming Act, the first major reform of the Broadcasting Act in three decades, aims to ensure that Canadian content is widely available on streaming platforms. The Government has issued policy directions on how to implement the Online Streaming Act to the CRTC, which has held consultations with domestic and foreign stakeholders to define the specific requirements to support the production of Canadian content on streaming platforms under the Act. Another major legislative change during the period under review was the adoption of the Online News Act, which aims to ensure that dominant platforms compensate news businesses when their content is made available on their services. To that end, the Act encourages platforms to reach voluntary commercial agreements with a range of news businesses; failing that, it provides for mandatory negotiation, backstopped by final offer arbitration, which will be overseen by the CRTC.

32. Since Canada's previous Review, the foreign ownership limit in voting interests of Canadian air carriers that provide passenger air and all-cargo services was raised from 25% to 49%, with accompanying safeguards. Regarding maritime transport, Canadian-flagged vessels must be manned by persons holding a Canadian certificate of competency, which is only issued to Canadian citizens or permanent residents; foreign seafarer competency certificates may be accepted and recognized under reciprocal agreements signed by Transport Canada. Cabotage for air and marine transport is not permitted, though in the case of marine transport, foreign vessels may be used temporarily when domestic vessels are not available.