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CANADA – ANDEAN COMMUNITY FREE TRADE NEGOTIATIONS

INITIAL ENVIRONMENTAL ASSESSMENT REPORT

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Canada

INITIAL ENVIRONMENTAL ASSESSMENT REPORT OF THE CANADA-ANDEAN COMMUNITY FREE TRADE NEGOTIATIONS

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I. EXECUTIVE SUMMARY

The Canada-Andean Community free trade agreement negotiations (FTAs) were launched on June 7, 2007. Free trade agreements between Canada and Andean Community countries (Peru, Colombia, Ecuador and Bolivia) have the potential to enhance not only Canada's bilateral economic relationships with Andean Community countries, but also to strengthen Canada's presence in the Americas. FTAs with the Andean Community are expected to generate economic benefits across the Canadian economy, however, their impact in relation to the aggregated Canadian economy will be very modest, and therefore, we expect a minimal impact on the environment.

In keeping with the 2001 *Framework for Conducting Environmental Assessments of Trade Negotiations (The Framework)*, we are conducting an initial environmental assessment (EA) of the Canada-Andean Community FTAs to assist Canada's policy makers in addressing potential environmental issues arising from the FTAs that may affect Canada. Improved understanding of the relationship between trade, foreign direct investment (FDI), economic growth and the environment can assist in the formulation of government policy to reduce potential conflicts between commercial and environmental objectives.

There is a strong correlation between open markets, economic development and enhanced environmental protection. Liberalized rules-based trade and efficiently regulated markets are key building blocks for economic growth and development. In turn, public support for measures to protect the environment generally increases as incomes rise, and wealthier countries are better able to implement effective environmental policies than are poorer countries. Open markets also help to foster the development of new, more environmentally friendly technologies, and liberalized trade and investment help to create the conditions for technology transfer.

This Initial EA was conducted as part of Canada's commitment to achieving a mutually supportive relationship between trade and the environment. The intent is to assist Canadian negotiators integrate environmental considerations into the negotiating process by providing information on the environmental impacts of the proposed trade agreements and to address public concerns by documenting how environmental factors are being considered in the course of trade negotiations.

Canada's broad environmental objectives in negotiating trade agreements are:

- to preserve Canada's ability to protect the environment;
- to ensure mutually supportive relationships between trade agreements and multilateral environmental agreements;
- to stimulate improved allocative efficiency of resources to generate positive environmental impacts;
- to strengthen the environmental management capacities of Canada's trading partners;
- and
- to use this strengthened capacity to combat transboundary pollutants and invasive species that directly affect Canada's environment, economy and health.

In order to ensure that Canada's environmental quality is strengthened through liberalized trade, Canada normally negotiates trade-related environmental provisions in the FTAs and parallel agreements on environmental cooperation.

This EA documents the findings of the Initial EA phase of the Canada-Andean Community negotiations, focusing on the potential incremental environmental impacts, if any, of trade-induced economic and regulatory changes in Canada. It applies the analytical methodology outlined in the *Framework* that outlines the process for conducting EAs, and acts as a screening process to identify the main environmental issues expected to arise as a result of this free trade initiative. As such, it must be underscored that this is a *strategic* assessment and is intended to inform policy making as the proposed FTAs are being negotiated. The Initial EA is, therefore, more of a "forecasting" or "anticipatory" exercise. The findings of this Initial EA have been shared with the interdepartmental EA Committee, which includes representation by the federal departments in the sectors in which increases in production are anticipated. This approach facilitates informed policy development and decision-making throughout the federal government.

The analysis performed for this Initial EA suggests that the elimination of tariffs on industrial goods within Andean Community countries will have a minimal effect on goods trade, and production in Canada, partly because, while hoping to increase trade activity, Canada generally seeks to maintain its market shares (not lose them at the benefit of the US who have already negotiated trade agreements with these countries).

With respect to agricultural goods, the FTAs would facilitate an increase in Canadian exports of these products. In the event of increased exports of agricultural goods, crop and livestock, production would increase somewhat in those areas where production is currently concentrated (i.e. in the Prairies). Nevertheless, the analysis conducted shows that an increase in Canadian domestic production to supply the Andean Community markets will, overall, likely cause minimal environmental impact.

With respect to services, Canada is already quite open in most sectors. While studies have shown that there are positive benefits to services liberalization, it remains difficult to assess with certainty the impacts of trade negotiations on specific service sectors. Services barriers take the form of domestic regulations (i.e. requirement for local partners, foreign ownership restrictions, citizenship, residency and licensing requirements and opaque or non-transparent rules/regulations), and assessing the economic impacts of removing such barriers to services trade is difficult. Nevertheless, given the relatively small increase in level of services trade expected within Canada as a result of FTAs with the Andean Community relative to the size of the Canadian service sector, any increase is expected to have a limited impact on the environment.

Current investment from the Andean Community is insignificant. In 2006, Andean FDI in Canada amounted to less than 0.002% of total incoming FDI. In view of the current trend, even a significant economic change in investment from the Andean Community would be small in scale compared to the overall level of investment in Canada, and any environmental impact is expected to be negligible. Furthermore, the FTA negotiations are not expected to substantially change the already open Canadian investment regime.

Canada and the Andean Community are established trade and investment partners. In 2005, two-way merchandise trade was approximately \$3.79 billion (Canada exported \$889 million and imported \$2.9 billion), and Canadian direct investment in the Andean Community was \$3.5 billion. In 2004, trade in services from Canada to the Andean Community totalled \$77 million.

II. OVERALL ENVIRONMENTAL ASSESSMENT PROCESS

The Government of Canada is committed to conducting environmental assessments (EAs) for all trade and investment negotiations using a process that requires interdepartmental coordination and public consultations. The 2001 *Framework for the Environmental Assessment of Trade Negotiations*¹ details this process. It was developed in response to the 1999 *Cabinet Directive on Environmental Assessment of Policy, Plan and Program Proposals*², which requires that all initiatives considered by Ministers or Cabinet must be environmentally assessed if implementation of the proposal may result in important environmental effects, either positive or negative. Detailed guidance for applying the Framework is contained in the *Handbook for the Environmental Assessment of Trade*³ (the Handbook).

The Framework provides a process and methodology for conducting an EA of a trade negotiation. It is intentionally flexible so that it can be applied to different types of negotiations (e.g., multilateral, bilateral, regional) while ensuring a systematic and consistent approach to meet two key objectives.

- The first objective is to assist Canadian negotiators to integrate environmental considerations into the negotiating process by providing information on the environmental impacts of the proposed trade agreement. As such, trade negotiators and environmental experts are involved in the EA and work proceeds in tandem to the negotiations.
- The second objective is to address public concerns by documenting how the environment is considered during negotiations. As such, the Framework contains a strong commitment to communications and consultations throughout each EA of trade negotiations.

The Framework provides for three increasingly detailed phases of assessment: the Initial, Draft, and Final EA. These phases correspond to progress within the negotiations. The Initial EA is a preliminary examination to identify key issues. The Draft EA builds on the findings of the Initial EA and requires detailed analysis. The Final EA takes place at the conclusion of the negotiations. A Draft EA is not required if the Initial EA finds little likelihood of significant environmental

¹ For more information on the 2001 *Framework for Conducting Environmental Assessment of Trade Negotiations* see <http://www.international.gc.ca/trade-agreements-accords-commerciaux/ds/Environment.aspx?lang=en>.

² For more information on the 2004 *Cabinet Directive on Environmental Assessment of Policy, Plan and Program Proposals* see http://www.ceaa-acee.gc.ca/016/index_e.htm.

³ For more information on the *Handbook for Conducting Environmental Assessments of Trade Negotiations* see <http://www.international.gc.ca/assets/trade-agreements-accords-commerciaux/pdfs/handbook-e.pdf>.

impacts as a result of the negotiation. However, in such circumstances, environmental considerations will continue to be integrated into ongoing discussions and a Final EA will be completed. At the conclusion of each phase, a public report is issued with a request for feedback⁴.

Following the conclusion of the overall EA of the trade negotiations, follow-up and monitoring can be undertaken in order to review any mitigation or enhancement measures recommended during in the Final EA report. Monitoring and follow-up activities can be undertaken anytime during the implementation of the concluded trade agreement in order to gauge the performance of its provisions from an environmental perspective.

II. A. ASSESSMENT METHODOLOGY

Pursuant to the EA Framework, this Initial EA is being conducted in an *ex ante* fashion (before the negotiations are completed). A *Notice of Intent* to conduct a Strategic Environmental Assessment of the Andean Community free trade agreements (FTAs) was announced on October 13, 2007, but to date, no comments have been submitted to the government. It must be underscored that this is a *strategic* assessment and is intended to inform the decision-making process as the proposed FTAs are being negotiated. Consequently, there is a fair degree of uncertainty associated with identifying likely economic and environmental impacts. The Initial EA is, therefore, more of a 'forecasting' or 'anticipatory' exercise. Nevertheless, the analysis allows for the early clarification of national goals and priorities with respect to trade and environmental interests, as well as for any mitigation and enhancement options that can be taken into account while the trade negotiations are underway.

Although this Initial EA assesses the impact of FTAs with all Andean Community member countries, at this time, negotiations have only been initiated with Peru and Colombia. Subsequent FTA negotiations with Ecuador or Bolivia will be informed by the current EA process.

Consistent with the methodology prescribed in the *Framework*, this assessment explores the link between trade rules and regulatory policy and focuses on the *incremental* economic and the potential environmental impacts of the prospective Andean Community FTAs on Canada - that is, the effects of new trade that may result directly from the proposed trade agreement. Transboundary, regional and global environmental impacts of the FTAs are considered insofar as they have a direct impact on the Canadian environment.

The Framework provides a four stage analytical methodology. The Handbook provides guidance on how to conduct each stage of the analysis.

⁴ All reports are available on the DFAIT web site at <http://www.international.gc.ca/trade-agreements-accords-commerciaux/index.aspx?lang=en>.

- **Identification of the economic effect of the Agreement to be negotiated.** The purpose of this stage is to identify the trade liberalization activity of the agreement under negotiation. This stage examines what the potential agreement would entail, the changes or new trade activity that could result, and the overall economic relevance to Canada. This helps determine the scope of analysis required for the environmental assessment and to prioritise the issues to be assessed.
- **Identification of likely environmental impact of such changes.** Once the economic effects of the proposed trade agreement have been identified and characterised, the likely environmental impacts of such changes are identified. Consideration is given to potential positive and negative impacts. For the purpose of this EA, “environment” refers to the components of the Earth – which includes land, water, and air (all layers of the atmosphere); all organic and inorganic matter; living organisms; and, the interacting natural systems that include components of the foregoing. The Framework calls for analysis of the most likely impacts on the Canadian environment. The Handbook demonstrates that there are two main factors that contribute to likelihood: exposure and probability.
- **Assessment of the significance of the identified likely environmental impacts.** The identified likely environmental impacts are then assessed as to their significance. The Framework outlines a number of criteria in determining significance, including frequency, duration, permanency, geographical scope and magnitude, level of risk, irreversibility of the impacts, and possible synergies among the impacts. This study uses the following scale in relation to the criteria outlined above to describe significance: none, minimal, moderate, high and extreme.
- **Identification of enhancement/mitigation options to inform the negotiations.** In the Initial EA, this step is intended to identify, in a preliminary fashion, the possible policy options or actions to mitigate potential negative impacts and/or to enhance potential positive impacts that may occur as a result of the proposed free trade agreement.

In conducting EAs of trade negotiations, the Government of Canada is committed to a process that involves interdepartmental coordination. An interdepartmental committee is established to undertake the EA of each negotiation. The department leading the negotiations leads these EA committees, which is chaired by the Deputy Chief Negotiator and includes officials responsible for each negotiating area. The EA Committee also includes representation from Environment Canada and the Canadian Environmental Assessment Agency. All other government departments and agencies are welcome to participate, and often do so based on the nature of the agreement being assessed.

Results from the EA analysis are enhanced through consultations with the Provincial and Territorial Governments, stakeholders including representatives from business, academic and non-governmental organizations (NGOs) and the public. In the preparations for the Initial EA, a Notice of Intent is issued inviting the public to provide their thoughts on the potential impacts of the proposed agreement on the Canadian environment. At the conclusion of each phase, EA reports are shared with provinces and territories and environmental experts and then issued publicly with a request for feedback.

The Government of Canada welcomes comments on this Initial EA Report. Feedback on the analysis of the economic relevance of new negotiations and the initial assessment of the likelihood and significance of resultant environmental impacts is welcome. Comments on opportunities to mitigate any negative environmental impacts and to enhance any positive effects, as may already be identified at this stage are also welcome. Comments on this document can be sent to:

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III. OVERVIEW OF THE TRADE AND INVESTMENT RELATIONSHIP BETWEEN CANADA AND THE ANDEAN COMMUNITY

In response to today's rapidly evolving global trading environment, the Government of Canada is committed to an aggressive bilateral trade negotiations agenda, which is supported by *Budget 2007* and the Government's economic plan, *Advantage Canada*. Consistent with the *Global Commerce Strategy* (GCS), the strategic international commerce framework in support of *Advantage Canada*, the Andean Community countries (Colombia, Peru, Ecuador, Bolivia) were identified as among the next trade partners with which Canada should pursue FTAs. The Government announced, on June 7, 2007, the launch of free trade agreement (FTA) negotiations in the Hemisphere, including with Andean Community countries.

Canada remains interested in strengthening trade and investment ties with all countries of the Andean Community, but recognizes that not all Andean Community countries may be in a position to move forward on FTA negotiations at the same pace. In the near term, Canada intends to proceed on negotiations with Colombia and Peru, who have demonstrated that they are both interested and prepared to negotiate a comprehensive FTA, and with Bolivia and Ecuador at an opportune time. While all countries are discussed in this document, the emphasis will be on those countries with whom Canada plans to negotiate in the near term, namely, Colombia and Peru.

The Andean Community countries are significant trade and investment partners for Canada and FTAs with these countries are expected to open up new opportunities in these areas.

In 2006, Canadian merchandise exports to the four Andean countries totalled \$889 million while imports from them amounted to \$2.9 billion (Appendix 1 – Annex A). Colombia and Peru, in particular, are significant and growing destinations for Canadian exports, especially in the agri-food, machinery and equipment sectors. The combined stock of Canadian direct investment in Colombia, Peru, Ecuador and Bolivia is estimated at \$3.5 billion (2006).

Colombia

Colombia is an established market for Canadian products, with the agri-food sector being of significant importance. Two-way trade in goods between Canada and Colombia totalled \$1.14 billion in 2006, with Canadian domestic merchandise exports increasing by 9% over the previous year to \$447 million. Over the same period, imports from Colombia increased by 9% to \$634 million. Major Canadian exports consist of cereals, paper (newsprint), off-road dump trucks, copper wire, machinery and electrical equipment and leguminous vegetables. Top imports to Canada from Colombia include coal, fuel, coffee, bananas, cut flowers and sugars.

Canadian direct investment stock in Colombia amounted to \$453 million in 2006 according to official statistics, and has been concentrated in the oil exploration, mining, printing, footwear, food processing, education and household paper sectors. The Canadian Embassy in Colombia estimates that the current stock of Canadian investment is significantly higher (\$3 billion). This estimate takes into account that a majority of Canadian investments are made through offshore financial centers and/or countries with which Canada has tax treaties (this is especially the case for the oil, gas and mining sectors). A preliminary survey undertaken by the Canadian Embassy revealed that Canadian investors are seizing investment opportunities in Colombia, with more than US\$2 billion in planned investment over the next two years. This survey also confirms an increasing flow of Canadian direct investment, particularly in the acquisition of property and exploration rights in the oil & gas and mining sectors.

Canadian commercial services exports to Colombia totalled \$17 million in 2004. Canada's key services interests in Colombia include oil and gas, mining services, engineering services, architectural, environmental services, distribution services and information technology.

Peru

Canada's trade in goods with Peru has expanded significantly in the past years. The value of Canadian domestic merchandise exports to Peru was \$267 million for 2006, representing an increase of 10% over the previous year. Imports totalled \$2.1 billion, an increase of 54.5% over 2005. Major Canadian merchandise exports to Peru are cereals, machinery, electrical equipment, leguminous vegetables and paper. Major imports from Peru consist of gold, copper and other ores, asparagus and fishmeal.

Canada is Peru's most important foreign direct investor in the mining sector and among the largest overall foreign investors with an estimated \$2.9 billion of investment stock in Peru as of 2006. The banking and printing sectors are also significant destinations for Canadian direct investment in Peru. Recognizing this important relationship, the Canada-Peru Foreign Investment Protection and Promotion Agreement (FIPA) was signed on November 2006. Peru's total investment in Canada is estimated to be very small, at only \$1 million in 2002 (the last year for which official statistics are available).

Peru was the destination for \$46 million of Canadian commercial services exports in 2004. Canada's key services interests in Peru include oil and gas, mining services, engineering services, architectural services, environmental services, distribution services, financial services and information technology.

Ecuador

Two-way trade between Canada and Ecuador amounted to \$289 million in 2006. Canadian domestic merchandise exports to Ecuador totalled \$151 million and consisted primarily of wheat, leguminous vegetables, machinery and equipment, newsprint and paper. Canadian imports from Ecuador totalled \$131 million in 2006 and consisted mainly of bananas, cut flowers and fish and seafood.

A Foreign Investment Protection and Promotion Agreement (FIPA) between Canada and Ecuador came into force on May 1997. Statistics Canada indicates that Canadian direct investment stock into Ecuador was \$46 million in 2006.

Canada's commercial services exports to Ecuador grew from \$2 million in 2000 to \$26 million in 2004, largely as a result of investments in the oil and gas and mining sectors. Canada's key services interests in Ecuador include oil and gas, professional services and research and development.

Bolivia

Canada has limited trade with Bolivia, with two-way trade in merchandise amounting to \$75 million in 2006, of which Canadian domestic merchandise exports to and imports from Bolivia totalled \$24 million and \$49 million respectively. Canadian primary exports to Bolivia include machinery, cereals, electrical equipment and trucks, while primary imports from Bolivia include silver ores, silver, tin, wood, and edible fruit and nuts.

Canadian direct investment stock into Bolivia was estimated at \$87 million in 2006, largely concentrated in the mining sector, while Bolivian direct investment into Canada was negligible.

Canada exported \$12 million in commercial services to Bolivia in 2004. Canada's key services interests in Bolivia include professional services, research and development and oil and gas.

Canadian Objectives in the Americas

Canada seeks to strengthen economic ties with countries that have already taken significant strides to improve economic stability and to open themselves up to integration. In the Americas, Colombia and Peru have demonstrated their preparedness to engage in comprehensive FTA negotiations through efforts in recent years to modernize and liberalize their regulatory and trade environments and strengthen their economies.

IV. TRADE AND THE ENVIRONMENT

Public support for trade liberalization in Canada is linked to the expectation that the environment will be protected. Canada is committed to achieving mutually supportive trade and environment goals with its trading partners. Canada's broad environmental objective when negotiating trade agreements are to preserve Canada's ability to protect the environment. Where global and transboundary impacts due to increased economic activity directly affect Canada's environment, economy and health, Canada will seek to work with trade partners to strengthen their national environmental management systems.

Open markets, economic development and environmental protection are strongly correlated. Liberalized rules-based trade and efficiently regulated markets are key building blocks for economic growth and development. In turn, public support for measures to protect the environment generally increases as incomes rise, and wealthier countries are better able to implement effective environmental policies. Open markets also help to foster the development of new, more environmentally friendly technologies, and liberalized trade and investment help to create the conditions for technology transfer.

In order to ensure that economic development is both sustainable and provides a level playing field for Canadian economic interests, Canada negotiates robust and meaningful provisions related to the environment in the FTA (e.g., preamble, objectives, investment, general exceptions) and will implement, where possible, parallel Environmental Agreements.

In the context of increased economic activity due to trade liberalization, it is important to ensure that Canada and its trade partners maintain high levels of environmental protection and do not lower their standards or enforcement to attract foreign investment.

Incorporating Environmental Provisions into the Canada-Andean Community Free Trade Agreements

In the context of the Free Trade Agreements between Canada and countries of the Andean Region, Canada will negotiate parallel environmental agreements, seeking environmental obligations that aim to achieve the following goals:

- maintain high levels of environmental protection and enforce environmental laws;
- use appropriate procedures to complete environmental assessments;
- ensure laws, regulations, judicial decisions and administrative rulings are available to the public;
- ensure compliance with the due process of law, as set out in explicit procedural guarantees; and
- promote greater accountability and open exchange of information between parties.

Canada's Engagement in the Andean Community

Canada and countries of the Andean Community are actively engaged in environmental cooperative activities.

Natural Resources Canada (NRCan) is currently involved in several sustainable development projects in the Andean region in the areas of geosciences, forestry, and mining. In the, *Multinational Andean Project: Geosciences for Andean Communities*, NRCan is working with the governments to strengthen each country's hazard assessment capability in dealing with volcanoes, earthquakes and landslides. Knowledge is being transferred to local communities with the objective to reduce their vulnerability to natural hazards.

Canada also supports environmental cooperation in the Andean community through its involvement and financial support for the International Model Forest Network (IMFN) which includes a regional network of 14 sites throughout Latin America and the Caribbean. The IMFN is a voluntary association of partnership-based sites using a shared ecosystem-based approach toward the common goal of sustainable forest management and use.

To promote sustainable development practices in the minerals and metals sector and to increase market access, NRCan has established regional alliances with groups such as with the Mines Ministries of the Americas (CAMMA). Such activities have promoted the active engagement of CAMMA member governments in the Summit of the Americas process, in bilateral activities and in meetings with APEC Economies of the Americas. It also encourages countries within the Andean Community to join the Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development (Canada is the Secretariat). Canada also promotes good governance through its engagement in the Extractive Industries Transparency Initiative (EITI) with the oil, gas and mining sectors.

Through the Government of Canada funding, the World Bank Persistent Organic Pollutants (POPs) fund is helping the four countries of the Andean Community build capacity to reduce or eliminate releases of persistent organic pollutants.

V. INITIAL ENVIRONMENTAL ASSESSMENT FINDINGS

The Initial EA findings are the result of a scoping exercise and subsequent analysis based on the analytical methodology outlined in the EA Framework. Table 1 presents the findings of the scoping exercise for each issue area (and corresponding FTA chapter) that were identified as not requiring in-depth analysis for the purposes of this Initial EA. A more detailed analysis of trade in goods, services and investment is then provided.

An economic analysis was conducted for the Andean Community FTAs to assess the expected economic outcomes of trade and investment liberalization. This analysis helped to inform the Environmental Assessment of the Canada-Andean Community FTAs (see Annex 1: Economic Analysis).

Table 1: Results of Initial EA Analysis

Issue area	Anticipated outcome	Potential environmental implications and provisions
Preamble	<ul style="list-style-type: none"> ▪ The preamble will provide guidance on the general intentions of the two parties to the agreement, but is not binding. 	<ul style="list-style-type: none"> ▪ The preamble is expected to reference the parties' ongoing commitment to sustainable development and cooperation on environmental matters.
Initial Provisions	<ul style="list-style-type: none"> ▪ This chapter will establish the free trade area between Canada and the Andean Community countries, lay out the overall objectives for the agreements, define the relation to other agreements, and the extent of obligations. 	<ul style="list-style-type: none"> ▪ A proposed provision will make reference to the mutual commitments to multilateral environmental and conservation agreements and the relationship between the FTA and MEA obligations.
Rules of origin	<ul style="list-style-type: none"> ▪ This chapter will provide rules of origin that are clear, as simple as possible, and leave little room for administrative discretion. ▪ The rules are intended to be sufficiently stringent to ensure that the benefits of the FTAs flow only to goods qualifying as originating in the territory of either or all countries. 	<ul style="list-style-type: none"> ▪ Production and consumption changes resulting from product-specific rules of origin will be captured in the Trade in Goods section below, along with their corresponding environmental impacts.
Customs procedures	<ul style="list-style-type: none"> ▪ This chapter seeks to administer and enforce the rules of origin in a fair and transparent manner. 	<ul style="list-style-type: none"> ▪ There are no foreseen environmental impacts as a result of this chapter.
Trade facilitation	<ul style="list-style-type: none"> ▪ This chapter will seek to streamline customs processes and facilitate the movement of goods more efficiently. 	<ul style="list-style-type: none"> ▪ It is expected that any measures agreed to between the parties would have minimal impact on the environment. ▪ Outcomes related to trade facilitation would not impact the Government of Canada's ability to implement measures or regulations to protect the environment.

Issue area	Anticipated outcome	Potential environmental implications and provisions
Sanitary and phytosanitary measures (SPS)	<ul style="list-style-type: none"> ▪ This chapter will reaffirm commitments made under the WTO Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement) and agree to continued use of the WTO dispute settlement procedures for any formal disputes regarding SPS measures. In addition, it will seek to establish a bilateral SPS mechanism to provide direction on identification, management, and resolution of SPS issues to avoid disputes. 	<ul style="list-style-type: none"> ▪ As provided in the WTO Sanitary and Phytosanitary Measures Agreement, all countries maintain the right to take measures necessary for the protection of human, animal or plant life or health. All countries are required to ensure that any SPS measures are applied only to the extent necessary to protect human, animal or plant life or health, and are based on scientific principles.
Non-tariff measures and regulatory cooperation (Technical Barriers to Trade – TBT)	<ul style="list-style-type: none"> ▪ This chapter will affirm commitments made under the WTO Technical Barriers to Trade Agreement (TBT Agreement), promote greater cooperation in the field of standards, technical regulations and conformity assessment procedures; address horizontal transparency issues, including notifications and participation in consultation processes; and establish a mechanism to provide direction on the identification, management, and resolution of TBT-related issues in order to avoid disputes. 	<ul style="list-style-type: none"> ▪ The chapter will reaffirm WTO TBT rights and obligations, including the right of all countries to take measures necessary to ensure the protection of animal or plant life or the environment. Measures shall not be more trade-restrictive than necessary to fulfil such legitimate objectives.
Emergency action	<ul style="list-style-type: none"> ▪ This chapter seeks to protect domestic producers from difficulties associated with bilateral trade liberalization (e.g. sudden surge in imports). The measures are intended to be applied only on a temporary basis. ▪ No significant changes to production or consumption are expected as a result of this chapter. 	<ul style="list-style-type: none"> ▪ This chapter is not expected to have any significant impact on the environment.
Telecommunications	<ul style="list-style-type: none"> ▪ This chapter seeks to ensure that the terms and conditions for access to and use of public telecommunications transport networks and services do not impede the parties' market access commitments under the FTAs, and to an open and competitive market for telecommunications services. 	<ul style="list-style-type: none"> ▪ In the context of the Canada-Andean FTAs, Canada will maintain its limitations on foreign investment in Canadian telecommunications carriers, such that these companies must be owned and controlled by Canadians. ▪ It is not anticipated that the FTA will have any adverse affect on the environment.
Financial services	<ul style="list-style-type: none"> ▪ This chapter of the agreement is expected to promote high quality, forward looking market access commitments and improve regulatory transparency in the financial services sector. 	<ul style="list-style-type: none"> ▪ Financial services activities could increase and/or become more efficient as a result of these negotiations. There would be minimal positive or negative environmental impacts from the office operations associated with this change.

Issue area	Anticipated outcome	Potential environmental implications and provisions
Temporary entry	<ul style="list-style-type: none"> ▪ This chapter seeks to facilitate the temporary movement of business persons in support of bilateral trade in goods, services and investment by negotiating more liberal access by waiving regulatory requirements for labour market tests, etc. ▪ Any outcome in these negotiations is not expected to significantly change production and consumption patterns in Canada. 	<ul style="list-style-type: none"> ▪ There will be minimal environmental effects resulting from the normal operation of an office or service facility and travel and temporary stay of professionals from the Andean Community to Canada to carry out their work. These would include consumption of energy for heating, lighting, and use of vehicles or equipment, and production of waste, including paper, refuse and others. ▪ To the extent that temporary entry and stay of individuals from the Andean Community is facilitated, this will not affect how Canadian environmental regulations are developed or implemented or how environmental objectives are set.
Competition policy	<ul style="list-style-type: none"> ▪ This chapter will have provisions against anti-competitive business practices, as well as enhanced cooperation between Canadian and Andean countries' competition agencies. 	<ul style="list-style-type: none"> ▪ It is expected that any measures agreed to between the parties would have minimal impact on the environment. ▪ Outcomes related to this chapter would not impact the Government of Canada's ability to implement measures or regulations to protect the environment.
Monopolies and state enterprises	<ul style="list-style-type: none"> ▪ This chapter will have provisions that permit the designation of monopolies and state enterprises but place disciplines on a party with respect to such entities. These include disciplines to ensure that a party does not circumvent obligations under the agreement, monopolies or state enterprises provide non-discriminatory treatment to investors of the other party, and act in accordance with commercial considerations and do not act anti-competitively outside of their monopoly designation. 	<ul style="list-style-type: none"> ▪ No environmental impacts are expected as a result of these provisions. ▪ Canada will safeguard its ability to delegate governmental authority to monopolies and state enterprises.
Government procurement	<ul style="list-style-type: none"> ▪ This chapter of the agreement is expected to contain government procurement market access and transparency commitments. 	<ul style="list-style-type: none"> ▪ The Canada-Andean Community government procurement chapter will not have a negative effect on Canada's ability to develop and implement environmental policies and regulations, including with respect to green procurement. ▪ Canada will safeguard its ability to

Issue area	Anticipated outcome	Potential environmental implications and provisions
		maintain and expand the current framework of policies, regulations, and legislation for the protection of the environment in a manner consistent with its domestic and international obligations.
Electronic commerce	<ul style="list-style-type: none"> ▪ This chapter will seek to include rules guaranteeing a predictable environment for the conduct of electronic commerce, while preserving the government's flexibility to pursue cultural and other social policy objectives, including the environment. 	<ul style="list-style-type: none"> ▪ The amount of e-commerce conducted between the parties is not expected to increase substantially as a direct result of the FTAs. ▪ The only environmental impacts from these discussions would be indirect. If the expected cooperation activities increase the amount of e-services there could be positive and/or negative environmental impacts. ▪ Positive environmental impacts could include reduced demand for transportation. ▪ Negative environmental impacts could result from increased waste and energy usage. These impacts could be partially mitigated via effective environmental management practices.
Transparency	<ul style="list-style-type: none"> ▪ This chapter facilitates the administration and smooth operation of the agreements by reiterating the parties' commitment to transparency and due process regarding matters covered by the FTAs. 	<ul style="list-style-type: none"> ▪ This chapter will allow all parties to review and comment in a transparent manner on any new laws or regulations that may have negative environmental implications.
Dispute settlement	<ul style="list-style-type: none"> ▪ This chapter includes state-to-state dispute resolution procedures with the Andean countries based on the dispute settlement provisions of the NAFTA, but simplified and improved where possible. 	<ul style="list-style-type: none"> ▪ No environmental impacts are expected as a result of this chapter.
Exceptions	<ul style="list-style-type: none"> ▪ This chapter will include exceptions for measures such as those necessary to protect, <i>inter alia</i>, human, animal or plant life or health, as well as the environment. 	<ul style="list-style-type: none"> ▪ A GATT (Article XX) type exception will allow for adoption or enforcement of measures to protect animal or plant life or health, and measures relating to the conservation of exhaustible natural resources.

A. TRADE IN GOODS

In accordance with the analytical methodology, this section provides an overview of the anticipated economic changes, and the associated environmental consequences, following the signature of FTAs with Andean countries. Attention is then turned to potential mitigation and enhancement measures that could respond to possible negative/positive environmental impacts. The analysis considers goods exported to Colombia, Peru, Bolivia and Ecuador as well as the importation of goods from these countries into Canada.

Trade overview

The proposed free trade agreements will seek to improve market access principally through tariff elimination. Canadian negotiators will also work at increasing cooperation with Andean governments to make trading procedures more efficient, through trade facilitating measures and customs procedures designed to provide certainty, transparency and effective verification. Rules of origin that are transparent, predictable and consistent in application will be developed to ensure that the benefits negotiated under the trade agreement accrue only to its parties.

A reduction in tariffs following the negotiation of FTAs is expected to result in an increase of trade in products of export interest to Canadian agricultural producers and industrial manufacturers. It is also anticipated that Canada will reduce certain tariffs imposed on goods imported from these countries. This may also affect the flow of goods and have consequences on Canada's environment. However, given the low level of trade between Canada and the Andean countries, it is expected that the environmental effects of such agreements will be minimal.

Colombia imposes an average 11.8% tariff on industrial goods and a 16.6% tariff on agriculture products. In 2006, Canada exported \$513 million worth of goods to Colombia, representing Canada's 30th largest export market. Cereals, off-road dump trucks, newsprint, leguminous vegetables and copper wire are the most exported items. On the import side, Colombia is a beneficiary of Canada's general preferential tariff (GPT). Canada imported \$634 million worth of goods from Colombia in 2006 (ranked 43rd among Canada's trade partners). Canada's main imports from Colombia consist in coal, coffee, banana and oil.

As for Peru, Canada exported \$289 million worth of goods in 2006 (Canada's 45th largest export market). Canada's main exports to Peru are cereals, followed by leguminous vegetables, parts of machinery, and cotton yarn. Peru currently maintains an average tariff of 9.7% on industrial goods and 13.6% on agriculture products. In 2006, Canada imported \$2.6 billion of goods from Peru (ranked 20th among Canada's trade partners). Main imported items consist of gold, copper, zinc and oil. Imports from Peru also receive the GPT and most items enter Canada duty-free or under a relatively low tariff rate with the exception of apparel products (for which tariffs up to 18% apply).

Exports from Canada to Ecuador amounted to 158 million in 2006 (ranked 59th among Canada's export markets). Wheat, paper (including newsprint) and machinery and equipment represent the most exported items. On the import side, most imports from Ecuador (about 70%) already enter Canada duty-free. These consist primarily of bananas, other tropical fruits and fish and seafood.

Recipient of GPT treatment, Ecuador ranks 72nd among Canada's trade partner (imports worth \$131 million in 2006).

Finally, Bolivia, also recipient of GPT treatment, is Canada's smallest trading partner among Andean countries. In 2006, imports from Bolivia to Canada amounted to \$49 million (94th position) while Canadian exports to Bolivia had a value of only \$26 million (103rd position). Most Canadian products exported to Bolivia fall in the machinery and equipments category (\$16 million value in 2006). Rates ranging from 5 to 20% generally apply on these items. The elimination of these tariffs following an FTA should not have any significant effect on Canadian production nor on Canada's environment. On the import side, Canada mostly buys minerals in Bolivia such as silver. More imports of these minerals following an FTA with Bolivia should not have any effect on the environment.

Exports

As tariffs are lowered and market access increases, it is expected that there would be an increase in the flow of some products currently being exported from the Andean Community to Canada as well as opportunities for new products to be exported. However, the impact on trade flows and, consequently, on the Canadian environment should be minimal partly because, with these agreements, Canada is seeking to maintain its market share within these countries, and not lose them at the benefit of the US and other competitors who have trade agreements with some of these countries.

Agriculture

The agriculture sector in Canada may be affected by a deal between Canada and Colombia. Canada's main agricultural products exported to Colombia are wheat (\$72 million in 2006, representing 22% of Canadian exports to Colombia) and barley (\$12 million). Colombia currently imposes a 15% tariff on these cereals. Although, the reduction or elimination of these tariffs is expected to significantly affect trade flows, it is not anticipated to impact overall production since exports to Colombia represent a small proportion of total Canadian cereals exports. For example, elimination of all tariffs on wheat would likely increase exports to Colombia, however, only 2.5% of Canadian wheat is exported to Colombia, so the relative impact on the sector would be minimal. Canada also exports pork and beef to Colombia (\$3 million annual average over the last 3 years). The Colombian tariff on pork is 20% and tariffs on beef range from 5 to 80%. The reduction or elimination of these tariffs as a result of an FTA could affect trade flows but, once again, the economic impact would be minimal given that it represents less than 1% of all Canadian exports of these products.

The profile of Canadian agricultural product exports to Peru is very similar. Wheat represented 38% of all exports from Canada to Peru in 2006 (worth \$112 million). Canada also exported \$8 million of barley to Peru in the same year. Peru currently applies a 17% tariff on wheat and barley. As a result, trade flows might be affected by the elimination or reduction of this tariff. However, it is not likely to have a very significant environmental effect since it represents only 2% of Canadian exports of wheat to the world. Canada also exports pork and beef to Peru but the value is very negligible (less than \$1 million per year). The potential elimination of the tariffs (12 to 20%) on these items should therefore not have any notable impact on production.

Wheat is the only item where a reduction of the Ecuadorian tariff (currently at 10%) may affect Canadian production. Ecuador received \$68 million worth of wheat in 2006, representing half of all exports from Canada to this country. Still, because it represents only 2% of Canada's total exports of wheat, the effect on Canadian production and the environmental consequences are both expected to be minor.

In addition to tariffs, there are also non-tariff barriers, such as import licensing, quantitative restrictions or other duties and charges that may impede increased exports to Andean countries. Unfortunately, such limitations are not easily assessed, since the effects of a particular barrier may differ from product to product, making an assessment of them, and their prospective elimination, difficult to analyze.

From an environmental perspective, the most significant changes in agricultural production are changes that affect land use (e.g. crop-land under summerfallow, use of marginal lands) and changes in livestock numbers. In addition, there may be some impact on groundwater aquifers and surface waters depending on the location and the scope of change in agricultural activity. Overall, crop and livestock production are expected to increase only marginally if tariffs are significantly reduced. It is also likely that such increases would occur primarily in regions where production is currently focussed (i.e. in the Prairie region). Canada's agricultural production in order to supply the Andean market would cause minimal environmental impact.

The environment is one of the five key priorities of Agriculture and Agri-food Canada's (AAFC) Agricultural Policy Framework (APF) announced by the Federal government in June 2002. Through the APF, federal, provincial and territorial governments aim to assist producers in accelerating the adoption of improved environmental practices. For example, AAFC funds various initiatives intended to improve the environmental performance of the agri-food sector, such as:

- *Environmental Farm Planning (EFP)*: Farmers with EFPs are eligible to apply for financial and technical assistance to implement beneficial management practices through the National Farm Stewardship Program and Greencover Canada.
- *Greencover Canada*: Landowners can access a package of funding and technical assistance to help improve grassland-management practices, protect water quality, reduce greenhouse-gas emissions, and enhance biodiversity and wildlife habitat.
- *National Agri-Environmental Standards Initiative*: Producers will benefit from performance standards establishing the degree of desired environmental quality of air and water and soil in agricultural areas.
- *National Agri-Environmental Analysis and Reporting Program* provides objective, science-based indicators to inform decision-makers in agriculture and help improve policies and programs aimed at addressing environmental issues faced by producers.
- *National Farm Stewardship Program*: Landowners can receive financial and technical assistance to implement on-farm beneficial management practices to address environmental risk identified in their Environmental Farm Plans.
- *National Land and Water Information Service* is developing an Internet portal to provide land managers with information, data, tools and expertise to help them make sustainable land-use decisions.

- *National Water Supply Expansion Program*: Producers and agricultural communities can receive technical and financial assistance to help meet their everyday growing water needs.
- The *Pesticide Risk Reduction Program* develops and implements strategies, conducts research and develops alternative approaches to pest management.
- The *Minor Use Program* assists producers in accessing more environmentally friendly and efficient pest management technologies.
- Various ongoing programs built upon the work of the activities of the Prairie Farm Rehabilitation Administration (PFRA), delivered to ensure the sustainable use and conservation of agricultural soil and water resources, such as grassland management, irrigation, crop diversification and shelterbelt planning.

Provincial environmental legislation and initiatives usually have a direct impact on farming operations. They include a range of mechanisms designed to encourage or require environmentally sound farming practices:

- extension services or funding to carry out specific practices, develop infrastructure, or diversify operations to reduce the environmental impact of agricultural production;
- information documents on best environmental management practices;
- regulations on reducing agricultural pollution;
- policies encouraging the development of on-farm environment plans;
- regulations on the development and operation of new or expanded livestock operations; and
- legislation to regulate the discharge of pollutants.

Efforts related to the above and other programs will help offset any negative environmental impact that may result from liberalized agricultural trade with Andean countries. In the event that the environmental impacts, as a result of the FTA, turn out to be greater than expected, consideration will be given to expanding existing programs or creating new ones to deal with any negative effects. The provision within the Framework to conduct follow-up and monitoring once the negotiations have concluded and the trade agreement implemented is therefore key in this regard and will be critical to informing decisions regarding new or additional mitigation or enhancement measures that may be required.

Wood and wood products

Canada exported newsprint and paper to Andean countries for a total value of \$158 million in 2006. While there is no tariff applied on the importation of newsprint, there is generally a tariff of 15% applicable on paper. With the elimination of restrictive tariff barriers currently facing forestry products—such as paper—Canadian exporters will benefit from improved market access opportunities in a rapidly growing economy. However, this should not affect much Canadian production given the fact that these exports represent a negligible proportion of Canada’s total exports of these products.

Forest products are a renewable resource. Forests regenerate, both naturally and through silviculture. Canadian governments at the federal, provincial and territorial levels have taken steps to ensure that our forests are managed in accordance with sustainable development principles. Canada’s commercial forest resources are largely managed by the provinces through

forest management tenure agreements that strictly regulate harvesting, silviculture and forestry practices. These policies provide for regulatory and audit mechanisms based on sustainable development principles to ensure that timber is not harvested at rates exceeding a forest's capacity to regenerate. Any marginal increase in production in those products on which a tariff would be lowered could be easily accommodated within current forest management programs.

Oil and Minerals

Canada exports oil and certain minerals (e.g. zinc ores and copper) to Andean countries, as well as certain intermediate goods produced with minerals extracted in Canada. A good example resides in copper wire, for which a value of \$26 million was exported to Colombia in 2006. The conclusion of an FTA with Andean countries is not expected to significantly influence extraction and production industries in Canada because the tariff rates that apply on these items are generally very low (often less than 5%) and because the proportion of Canada's exports of these products to these countries is negligible.

Mining is an intensive type of land use with potential for environmental impact over a limited area. However, with proper environmental protection and planning mechanisms, adverse impacts on the environment can be minimized. Possible negative impacts on the environment include the potential to disturb sensitive ecosystems, pollute the local water and contaminate soils. In Canada, environmental protection is an important element in modern mining oriented toward the safe and sustainable development of mineral resources, while at the same time ensuring that adverse environmental impacts are minimized.

Before mining activities commence, a company must submit a mine plan and an environmental impact assessment identifying all activities that may impact upon the mine site environment and the actions that will mitigate these environmental impacts. No mine facility will be granted operating permits until territorial/provincial and federal governments are satisfied with the actions proposed under the assessment plan. The company must also include a plan for decommissioning the facility and reclaiming the lands. The Canadian mining industry is committed to the continual development of innovative technologies and processes to ensure that mining activities are conducted in a manner that is as environmentally responsible and sustainable as possible.

If increased export activity did occur, federal, provincial and territorial laws and regulations on both mineral development and environmental assessment would assist in ensuring that any increased production occurring in Canada consequent to increased export demand would be carried out in an environmentally acceptable and responsible manner. As such, mitigation and enhancement measures would be carried out in relation to the sectoral activities and policies, rather than via these trade negotiations.

Imports

Because the conclusion of FTAs would result in lower Canadian tariffs on Andean products, an increase in the flow of some products currently being imported from these countries is expected. Some imported products may have a positive effect on Canada's environment while others may have the opposite effect. Still, the overall impact will be very limited given that Canada's imports from these countries represent a very small share of total Canadian imports.

Agriculture commodities

Most agriculture commodities imported from Andean countries already enter Canada duty free (e.g., coffee and bananas). Still, the elimination of the tariff on ethanol produced in Colombia could provide benefit to Canada's environment. It is well-known that gas containing ethanol produces less environmentally damaging emissions. This is why the Government of Canada has launched programs to foster its production and consumption. A reduced tariff on this resource could lead to cheaper imports and, consequently, a higher level of domestic consumption, which would be beneficial for the environment. The tariff on ethanol currently ranges from 4.92 to 12.28 cents per litre depending on the composition.

Oil and coal

Canada imports a significant quantity of oil from Andean countries (\$379 million in 2006). The use and processing of such commodities certainly has significant environmental effects on the Canadian ecosystem. However, trade flows should not be noticeably affected by the completion of FTAs since these imports already enter duty free to Canada.

B. TRADE IN SERVICES

Overview

There are currently several Canadian service providers currently operating in the Andean region and many further opportunities for which Canadian companies are well suited to respond. For example, Colombia offers good opportunities for Canadian exporters and investors, particularly in the oil, gas and mining sectors. Due to the increasing number of new concession contracts being issued to foreign investors by the Colombian government, the short term opportunities in these sectors are primarily in the export of equipment and technology as well as in exploration services, especially in geo-physical, geological and drilling activities. As Colombia's regulatory environment is beginning to foster a business climate receptive to pollution prevention and cleaner production processes, important business opportunities exist for Canada in the sectors of environmental technologies and services. To support the anticipated increase in trade that will result from the implementation of the U.S.-Colombia FTA, the Government of Colombia is planning important capital projects which will also create opportunities for a variety of Canadian engineering service providers.

With respect to Peru, Canadian exporters have expressed an interest in sectors such as oil and gas services, mining services, engineering services, architectural services, environmental services, distribution services, financial services and information and technology services. In Peru, Canada currently has several companies operating in the mining and energy sectors and also has a significant interest in the financial services sector.

To provide an initial indication of interest with respect to market access in Bolivia and Ecuador, Canada's bilateral request to Bolivia in the WTO General Agreement on Trade in Services (GATS) context covers professional services, research and development services, oil and gas services, horizontal commitments (Modes 1, 2 and 3) and the movement of natural persons

(Mode 4). Canada's bilateral request to Ecuador covers research and development services, oil and gas services and movement of natural persons (Mode 4).

	Peru	Colombia	Bolivia	Ecuador
Canadian commercial services exports	\$46 million (2004*)	\$17 million (2004*)	\$12 million (2004*)	\$26 million (2004*)

* Latest year for which official data is available

Canada and Peru and Colombia participated actively in the negotiations on the WTO GATS. Our involvement was in part on a bilateral and plurilateral market access basis, as well as multilaterally in the context of the development of rules. Neither Ecuador nor Bolivia has GATS offers on the table for this Round - Bolivia had originally submitted initial and revised offers but has withdrawn them both.

Notwithstanding potential difficulties, there is sufficient scope to advance Canadian interests bilaterally under an FTA with respect to market access and to rules development on a number of fronts. A NAFTA-plus type approach would likely yield benefits beyond GATS to both parties. Canada is negotiating with Peru and Colombia a comprehensive NAFTA plus chapter on services which will include provisions on domestic regulation, transparency, and professional services/mutual recognition. In addition, there will be separate chapters on telecommunications, financial services, ecommerce and temporary entry. A negative list approach to the listing of non-conforming measures will provide all Parties with improved market access and regulatory transparency beyond our respective existing commitments under the GATS.

On market access, Canada will not negotiate commitments on any services related to health, public education, social services or culture. In addition, Canada will ensure that its position at all stages of these negotiations will be fully consistent with our right to regulate and to introduce new regulations on the supply of services in order to meet national policy objectives, including environmental protection.

Likely Economic Impact of the Canada-Andean FTAs

While studies have shown that there are substantial positive benefits to services liberalization, it remains difficult to assess with certainty the impacts of specific trade negotiations in specific services sectors. Services barriers take the form of domestic regulations – i.e. requirements for local partners, foreign ownership restrictions, citizenship, residency and licensing requirements and opaque or non-transparent rules/regulations – and assessing the economic impacts of removing such barriers to services trade is difficult. In addition, the definition of services trade reaches beyond cross-border flows to include three additional modes of supply: consumption abroad (e.g. international tourism), commercial presence (e.g., a branch office operating in a country outside of country of ownership), and the movement of natural persons (e.g., engineers or architects working abroad).

Despite these difficulties, work is ongoing in this area. For example, several studies using computable general equilibrium (CGE) modeling suggest that there would be welfare gains to be made from services liberalization. For Canada, recent studies estimate that even a partial global reduction of services barriers in the WTO context could lead to gains in the range of 2.8% of GDP or U.S. \$20 billion⁵ while deeper liberalization that includes investment liberalization would lead to gains in the range of 14.9% of GDP or U.S. \$84 billion.⁶

The gains identified above are based on a multilateral approach. The gains to be made from the Canada-Andean FTAs would therefore be smaller. Peruvian service sectors of particular interest to Canada include oil and gas services, mining services, engineering services, architectural services, environmental services, distribution services, financial services and information and technology services. Colombia service sectors of particular interest to Canada include professional services, management consulting services, oil and gas services, environmental services, courier services, and distribution services. Canada is seeking the removal of existing regulatory barriers in these and other sectors.

Likely Environmental Impacts of the Economic Changes

Generally, the kinds of environmental impacts that could result from the economic activities of increased trade in service sectors include effects on air and water pollution, land and biodiversity conservation, and effects on the atmosphere and climate. Environmental effects common to all service sectors include the consumption of energy for heating, lighting and vehicle and equipment use which may result in air pollution and release of greenhouse gases (GHGs), and the production of waste, including paper, refuse, sanitary waste, and chemical by-products from office equipment. In sectors such as environmental services and telecommunication services, positive environmental impacts are anticipated. In addition to examining such elements, given the nature of services trade, the analysis of the environmental effects must also consider the impacts of services trade liberalization in areas

⁵ (Chadra, 2000)

⁶ (Deardorff and Stern, 2004).

where the potential for negative impact may seem negligible but where over time the impact will prove more significant. Analysis of elements such as smokestack effects, direct and indirect effects, and upstream and down stream effects is necessary to capture the potential cumulative effects.

Significance of the Environmental Impacts

While FTAs with the Andean Community are expected to provide increased market access into Canada, it is unlikely that there will be a substantial increase in trade in services as a result of these negotiations. Canada is already quite open in most services sectors and no domestic regulatory changes are expected as a result of FTAs with the Andean Community. There may be some increased services exports to Andean countries, but it is difficult to segregate the effects of the Canada-Andean Community trade negotiations from those resulting from Canada's other trade negotiations or implementation of existing regional or bilateral trade agreements or from unilateral liberalization. Generally speaking, while the environmental impacts are not expected to be significant, we will need to consider indirect or cumulative impacts and the synergies between environmental goods and services which may increase the impact.

Enhancement and Mitigation Options

As noted above, while FTAs with the Andean Community will improve market access and, to an extent, increase trade in services, we can expect little or moderate environmental impact. Further, any potential impacts can be partially balanced by mitigation options and opportunities for environmentally-sustainable growth, including technology innovation and industry best practices.

Depending on the sector, where required, mitigation options will be explored, for example, the use of fuel efficient vehicles, alternative fuels, paper conservation within the office, recycling of various materials, and corporate policies on "green procurement", limiting access to ecologically-sensitive tourist areas, consumer education and promotion of sound environmental practices. In addition, increasingly, changes and improvements to environmental legislation and industry awareness of environmental issues are helping to offset potential negative impacts of services trade liberalization. A further review of environmental impacts will be required as the FTA negotiations advance and a clearer picture of potential WTO disciplines on domestic regulation is obtained. Consultations will continue to be undertaken to help ensure that our ability to regulate for the protection of the environment is not undermined or weakened.

C. INVESTMENT

Overview

The Andean Community is a significant destination for Canadian direct investment abroad (CDIA), totalling \$3.5 billion (stock) in 2006. Of that amount, \$2.9 billion was in Peru. FDI in Canada from the Andean Community is modest, in 2006 reaching \$7 million. FTAs with investment provisions will provide investors with more certainty and predictability.

The Investment Chapter of Canada-Andean FTAs is expected to closely follow the Canada-Peru Foreign Investment Promotion and Protection Agreement (FIPA), which entered into force on June 20, 2007 (text: <http://www.international.gc.ca/assets/trade-agreements-accords-commerciaux/pdfs/Canada-Peru10nov06-en.pdf>). Both the Initial and a Final EA of the FIPA are available online at <http://www.international.gc.ca/trade-agreements-accords-commerciaux/env/env-ongoing.aspx?lang=en#peru>

Likely Economic Impact of the Canada-Andean FTAs

As seen above in the statistics on the Canada-Andean relationship, there is currently a limited amount of Andean investment in Canada. While the existence of investment provisions in the FTAs should be a positive factor in decisions on whether to invest in the territory of the other Party, it will be but one of many. In addition, Canada already has a relatively open investment regime. Large changes in investment patterns are not expected to result from the FTAs.

The results of the Initial EA indicate that significant changes to investment flows into Canada are not expected, as compared to the total flow of investment to and from Canada from all sources. The main effect will be greater protection for existing Canadian investments in the Andean Community.

Peru

Data on Peruvian investment in Canada is not available. The stock of Canadian direct investment abroad (CDIA) in Peru was \$2.9 billion in 2006, dominated by investments in the mining sector. In 2003, Peru ranked third in an examination of where large Canadian mining companies spent their exploration budgets and fourth in mineral property abroad owned by Canadian companies. Large investments also exist in hydro-electric transmission projects and printing facilities. A FIPA between Canada and Peru came into force on June 20, 2007 (text: <http://www.international.gc.ca/assets/trade-agreements-accords-commerciaux/pdfs/Canada-Peru10nov06-en.pdf>).

Colombia

Colombia's investment in Canada totalled \$1 million in 2006. The stock of CDIA in Colombia in 2006 was \$453 million, concentrated in the oil exploration, mining, printing, footwear, food processing, education and household paper sectors. Canadian investment is projected to grow rapidly, largely driven by Colombia's oil and gas and mining sectors. Significant improvement in the security situation, economic stability, recent policy reforms, as well as a highly qualified

workforce, are all factors contributing to a greater sense of confidence on the part of foreign investors.

Ecuador

Data on Ecuadorian investment in Canada is not available. CDIA stocks in Ecuador totalled \$46 million in 2006 and are focused primarily in the oil sector. Investment opportunities could develop further as Ecuador encourages new investment and new projects in oil and gas, mining, hydroelectric power generation, telecommunications and the environment. A FIPA between Canada and Ecuador came into force on May 6, 1997 (text: <http://www.international.gc.ca/assets/trade-agreements-accords-commerciaux/pdfs/ECUADOR-E.PDF>).

Bolivia

Data on Bolivian investment in Canada is not available. CDIA stocks in Bolivia in 2006 totalled \$87 billion. Investment opportunities could develop in natural gas, mining, telecommunications and the environment.

Likely Environmental Impacts of the Economic Changes

The likelihood and significance of environmental impacts due to the FTAs is dependant upon the overall rise in investment activities, the sectors in which these activities take place, and the measures in place to protect the environment in relation to those activities.

As noted above, the Andean Community's stock of investment in Canada is minimal. These FTAs are not anticipated to result in significant new investment into Canada. Thus, the environmental effects of the Canada-Andean FTA resulting from investment will be minimal to non-existent.

Significance of Environmental Impacts

Investment from the Andean Community represents only a very small proportion of total foreign investment in Canada. In 2006, Andean FDI in Canada amounted to less than 0.002% of total incoming FDI in Canada. In view of the current trend, even a significant economic change in investment from the Andean Community would be small in scale compared to the overall level of investment in Canada, and any environmental impact is expected to be minor, if not negligible. Furthermore, the FTA negotiations are not expected to substantially change the already open Canadian investment regime.

Potential Regulatory Impacts

Foreign investors in Canada are bound by the same environmental regulations that govern the activities of domestic investors. As in all previous investment agreements, Canada fully intends to maintain its right to regulate in the public interest in sectors such as health, public education, social services, and culture, and its right to protect the Canadian environment.

Enhancement and Mitigation Options

In the event that the Canada-Andean Community FTAs result in increased FDI in Canada, potential environmental impacts will be mitigated by laws which bind foreign investors to the same environmental regulations that govern domestic investors.

VI. CONCLUSION

Given the government's view that trade and environment policies should be mutually supportive, it is Canada's practice to pursue trade agreements in a manner consistent with, among other things, environmental protection and conservation. Undertaking environmental assessments (EAs) is an effective way to address potential environmental impacts that may result from the negotiations of a trade agreement. The EA process is a mechanism through which the Canadian environment may be better protected in trade negotiations. It does this by assisting decision makers in understanding environmental implications of trade policy and by improving overall policy coherence at the national level.

In tandem with the FTA negotiations with the Andean Community, a separate but parallel environmental cooperation agreement is being pursued. This agreement will be consistent with the focus on strengthening the domestic environmental management systems found in existing side agreements to which Canada is a party (including NAFTA, Chile and Costa Rica). It is envisaged that this agreement will contain commitments to high levels of environmental protection and effective enforcement of domestic environmental laws, including through cooperative activities.

The conclusion of the Andean Community FTAs will strengthen the existing commercial relationship enjoyed between our countries. In addition, the anticipated new economic activity resulting from the trade agreements is expected to yield meaningful economic benefits to Canada through improved market access into the Andean Community for Canadian goods, services and investment, as well as provisions that will ground the trading relationship between Canada and Andean Community countries in a coherent rules-based system, thereby making it more predictable and secure. These economic effects, while important, will be very modest relative to Canada's overall economic activity, and as a consequence, the environmental impact is not expected to be significant. Therefore, the Initial environmental assessment of the Canada-Andean Community FTAs does not anticipate significant environmental impacts on Canada.

In these circumstances, according to the *Framework for the Environmental Assessment of Trade Negotiations*, the Draft EA phase is not required and we will proceed directly to the Final EA. Further analysis will be carried out if information becomes available that would warrant further consideration. Indeed, should the negotiations with the Andean Community take a path that may lead to environmental effects not yet explored in this study, steps will be taken to ensure that they are assessed. In addition, the findings of the Initial EA, published herein, as well as any new public comments received, will continue to inform Canadian negotiators.

In accordance with the *Framework*, the Final EA will be conducted based on the outcome of the negotiations, and the findings will be reported publicly. As such, it will include a discussion of any new analysis and comments received in response to the Initial EA regarding the anticipated environmental impacts of the agreement on Canada.

Finally, following the conclusion of the overall EA of the trade negotiations, follow-up and monitoring can be undertaken in order to review any mitigation or enhancement measures recommended during in the Final EA report. Monitoring and follow-up activities can be undertaken anytime during the implementation of the concluded trade agreement in order to gauge the performance of its provisions from an environmental perspective.

APPENDIX 1: ECONOMIC ANALYSIS OF PROSPECTIVE FREE TRADE AGREEMENT(S) BETWEEN CANADA AND THE COUNTRIES OF THE ANDEAN COMMUNITY - JUNE 2007

Executive Summary

In response to today's rapidly evolving global trading environment, the Government is committed to an aggressive bilateral trade negotiations agenda, which is supported by *Budget 2007* and the Government's economic plan, *Advantage Canada*. Consistent with the *Global Commerce Strategy* (GCS), the strategic international commerce framework in support of *Advantage Canada*, the Andean Community countries (Colombia, Peru, Ecuador, Bolivia) were identified as among the next trade partners with which Canada should pursue FTAs. The Government announced, on June 7, 2007, the launch of free trade agreement (FTA) negotiations in the Hemisphere, including with the Andean Community countries of Colombia and Peru.

Economic analysis, government-to-government exploratory discussions and consultations with domestic stakeholders reveal that free trade agreements with the prepared and interested countries of the Andean Community (Colombia and Peru) would have a number of potential benefits:

- Improve market access for Canadian exporters through the elimination of tariffs, reduction of non-tariff barriers and better management of sanitary and phytosanitary issues;
- Enhance trade and investment opportunities across a broad spectrum of sectors, including agriculture and agri-food, natural resources and information and communications technology (ICT);
- Enhance the stability and predictability of the investment climate in the region for Canadian investors, notably by building on and strengthening the recently signed Canada-Peru FIPA (2006) and the Canada-Ecuador FIPA (1997);
- Maintain the competitive position of Canadian exporters, which would otherwise be eroded when U.S. agreements with Peru and Colombia enter into force and when other competitors conclude similar agreements (e.g. the European Union);
- Create greater transparency, certainty, predictability and enhanced market access for Canadian service providers in areas such as financial, high-tech, mining and professional services;
- Facilitate the movement of business persons between Canada and the countries of the Andean Community;
- Broaden Canada's network of trade agreements in markets where its interests are similar to those of the U.S. with the objective of building on and promoting a competitive North American platform;
- Support Canada's broader foreign policy objectives in the Hemisphere by strengthening ties with countries that have taken great strides to improve economic stability and to open themselves up to integration within the Americas and beyond; and
- Contribute to the shared goal of deepening development and economic integration in the Hemisphere through mutually supportive trade, labour and environmental practices.

At this time, Colombia and Peru are interested and prepared to work with Canada to negotiate a high quality free trade agreement. Canada will be prepared to consider the possibility of Ecuador and Bolivia joining this initiative at a later time.

Economic Analysis of a Prospective Agreement between Canada and the Countries of the Andean Community

1. Background

Canada has an enduring connection with Latin America and the Caribbean, with historical ties initially based in commercial exchanges, and strengthened through people-to-people links and closer political ties. These connections have fostered a sense of community within the region. Our economies, societies, and the health and security of our citizens are inextricably intertwined.

Recognizing the importance of this relationship, Canada is in the process of renewing and strengthening its engagement in the Americas. The Government intends to grow and deepen Canada's presence in and contribution to the region by working with partners to strengthen democratic governance, address security challenges and enhance the prosperity of our citizens by increasing commercial and investment links.

Pursuing free trade with the Andean Community countries would demonstrate Canada's commitment to trade liberalization and support Canada's larger foreign policy, trade and development objectives of deepening our engagement in the Americas. Moreover, FTA negotiations provide a platform for dialogue and cooperation on such issues as labour and the environment and establish mechanisms that can facilitate future dialogue on a broad spectrum of issues.

Pursuant to the announcement of the launch of exploratory discussions in November 2002, Canada and the Andean countries met on four occasions to exchange information and views on the scope of possible free trade negotiations, most recently on December 14-15, 2006. The discussions were positive and allowed for a frank exchange of views on a wide number of issues that could be raised in the context of future FTA negotiations. At the December 2006 exploratory discussions, parties agreed to exchange further information related to a number of topics.

Canada remains interested in strengthening trade and investment ties with all countries of the Andean Community, but recognizes that not all Andean Community countries may be in a position to move forward on FTA negotiations at the same pace. In the near term, Canada intends to proceed on negotiations with Colombia and Peru, who have demonstrated that they are both interested and prepared to negotiate a comprehensive FTA, and with Bolivia and Ecuador at an opportune time. While all countries are discussed in this document, the emphasis will be on those countries with whom Canada plans to negotiate in the near term, namely, Colombia and Peru.

Trade liberalization context

Regional and bilateral agreements have taken on greater significance amidst an evolving international trading environment. Uncertainties associated with the successful conclusion of the World Trade Organization (WTO) Doha round of negotiation, along with other factors, have contributed to the proliferation of bilateral and regional trade agreement. In this context, major traders have been aggressively pursuing FTAs; perhaps most notably, the U.S. has concluded FTAs covering no fewer than 16 countries since 2001.

The intensified bilateral focus of key global traders has raised concern about the potential impact on Canadian exporters, whose competitiveness in established markets, such as Colombia and Peru, may be threatened by such deals. Such concerns include the possible erosion of Canada's market share in countries where our competitors have gained preferential access and the potential for Canada to lose

influence in shaping the international trading rules of the future. Industry stakeholders, perhaps most vocally the agricultural export sector, have urged the government to engage in a more proactive FTA agenda.

In response to this rapidly evolving global trading environment, the Government has committed to an aggressive bilateral trade negotiation agenda, supported by *Budget 2007* and outlined in the Government's November 2006 economic plan, *Advantage Canada*. Consistent with the *Global Commerce Strategy* (GCS), the strategic international commerce framework in support of *Advantage Canada*, the Government announced on June 7, 2007, the launch of free trade agreement (FTA) negotiations in the Hemisphere, including with the Andean Community countries of Colombia and Peru. The Andean Community countries were identified as among the next trade partners with which Canada should pursue FTAs. This choice reflects the already significant level of Canadian business presence in the region (e.g. mining and financial sectors), the importance of these markets for several key sectors of the Canadian economy (e.g. agri-food, services) and the repeated expressions of interest in engaging in FTA negotiations by Colombia, Peru and, to a lesser extent, Ecuador.

Trade liberalization efforts of the Andean Community countries

The Andean Community countries have collectively and individually engaged in free trade initiatives with a number of countries in recent years.

The U.S. is the most important trading partner for each of the countries of the Andean Community, with the exception of Bolivia. In an effort to make permanent preferences extended under the Andean Trade Promotion and Drug Eradication Act (ATPDEA)⁷, Colombia, Ecuador and Peru entered into free trade negotiations with the U.S. in May 2004. The U.S.-Colombia and U.S.-Peru Trade Promotion Agreements (TPAs) were signed on November 22, 2006 and April 12, 2006 respectively. However, the U.S. Congress has yet to ratify these TPAs and thus their dates of entry into force remain unclear. The U.S. suspended negotiations with Ecuador in May 2006 and it is unclear whether FTA negotiations with the U.S. will recommence.

The Andean Community countries have also recently announced the launch of negotiations towards an "Association Agreement" with the European Union. In October 2004, in an effort to create a free trade area and expand commercial exchanges and eliminate trade barriers to reciprocal trade throughout the region, the Andean Community countries signed an Economic Complementarity Agreement with the Mercosur countries (Argentina, Brazil, Paraguay and Uruguay).

Colombia and Peru, in particular, have aggressive bilateral trade liberalization agendas. In addition to the U.S.-Colombia TPA, Colombia has signed an FTA with Chile (November 2006), has recently concluded FTA negotiations with Guatemala, Honduras and El Salvador and has begun formal negotiations with the European Free Trade Association (EFTA - Norway, Switzerland, Iceland and Liechtenstein). Free trade initiatives with Venezuela, Cuba, the Dominican Republic and Costa Rica are also in various stages of development.

For its part, Peru has recently concluded FTAs with Chile (signed August 2006), Thailand (signed November 2005), Mercosur (signed November 2005), and is currently negotiating with Singapore. Peru has announced new negotiations with China and has also begun FTA negotiations with EFTA.

⁷ The U.S. Congress granted, in December 2006, a six-month extension of the ATPDEA for all four countries. Another bill has recently been introduced to extend the program through to September 2009; however, the prospects for its passage are not yet clear.

Ecuador has discussed the possibility of negotiating an Ecuador-Mexico free trade agreement and is in the process of negotiating an FTA with Chile. Bolivia has FTAs in place with both Mexico (entered into force January 1995) and Mercosur (entered into force February 1997).

Colombia and Peru: A commitment to reform and trade liberalization

Canada seeks to strengthen ties with countries that have already taken significant strides to improve economic stability and to open themselves up to integration. Colombia and Peru have demonstrated their preparedness to engage in comprehensive FTA negotiations through efforts in recent years to modernize and liberalize their regulatory and trade environments and strengthen their economies.

Colombia

With the objective of stimulating economic growth and attracting foreign direct investment (FDI), Colombia has undertaken, over the last four years, a series of major reforms to develop a very competitive legal framework and investment regime as well as a good business climate. Colombia has made definite progress in the modernization and liberalization of its trade and investment regime through the adoption of ambitious reforms in many economic sectors as well as the adoption of a Law on Legal Stability. In addition, Colombia has undertaken an aggressive bilateral trade policy agenda with the objective of concluding, within the next four years, four new Free Trade Agreements as well as twenty Double Taxation Agreements with its main trade partners. These new agreements will contribute to enhance the predictability of Colombia's trade and investment regime as well as foster future growth prospects.

Colombia is seen to be at a crossroad with the capacity to move beyond more than 40 years of internal conflict and realize its social and economic potential. The government of President Uribe has made a determined effort to alter the equilibrium of the internal conflict, break the cycle of violence, and create a virtuous cycle of growth by improving the security situation in Colombia and generating greater confidence for consumers, businesses and investors. In 2006, Colombia has experienced an acceleration of its economic growth. Indeed, Colombia's GDP grew at more than 6.8% in 2006, the strongest economic growth since 1978. One of the pillars of this growth was the dynamism of the internal demand as well as an increase in local and foreign investments. For 2007, Colombia's Central Bank expects that the economy will grow at a rate between 5.5 and 6.5%.

The political and economic stability of the country as well as the government's commitment to carry out the reforms necessary to improve fiscal and economic conditions have sent positive signals to foreign exporters and investors and will likely stimulate an increase in FDI in the country. Colombia reached in 2005 and 2006 the tipping point of 25% of GDP, a level of investment associated with sustained high rates of growth. In 2005, FDI in Colombia increased by over 220%, reaching a record of USD\$10.2 billion. In 2006, FDI in Colombia reached US\$6.3 billion.

Peru

Peru has likewise made significant efforts towards strengthening the economy and liberalizing its trade regime. Peru has experienced a remarkable economic transformation since 2002, when its economy stagnated as a result of the Asian financial crisis and El Nino. The Toledo and Garcia Administrations have worked to consolidate macroeconomic stability and to adopt structural reforms to foster a climate friendly to private investment and business development. Recovery efforts have included a program of debt reduction and pursuit of currency stability, which have combined to insulate Peru's economy from external shocks and short-term political uncertainty.

Peru's transformation to a stable, competitive economy has been viewed positively by investors, and Peru is seen to be on the road to obtaining investment-grade status. As a result of Peru's positive investment climate and open foreign investment regime, as well as the establishment of ProInversion in 2002, which offers a single access point for investors, foreign investment into Peru grew from US\$9.5 billion at the end of 1999 to almost US\$ 15.5 billion in 2006. Furthermore, analysts suggest that the current boom in investment is more broadly based and has more domestic participation than a similar boom experienced in the mid 90's.

2006 saw GDP growth of an unprecedented 8%, driven by private investment, surging exports and an increase in domestic consumption. With this achievement, the Peruvian economy has sustained continuous month-to-month growth since the beginning of the Toledo government in 2001, averaging an annual growth of 6% in GDP. Analysts suggest that, in 2007, GDP growth could reach 7%. While Peru has experienced volatile growth cycles in the past, it is anticipated that continued market reforms, including newly-unveiled market-friendly macroeconomic and fiscal plans, will allow for stable GDP expansion. Examples of recent progress include work to address infrastructure bottlenecks, reduce non-wage labor costs, facilitate access to credit for small and medium enterprises, and to put in place a commercial court. The government has also worked to address issues of corruption in recent years, particularly in the judicial system, where recent appointments to the Supreme Court and the bodies supervising the courts have offered hope that changes are in the offing.

In addition, the current Garcia government has become a leading proponent of greater regional integration and is looking to the international market as the source of growth for the Peruvian economy. Garcia has championed the Andean Community, having adopted most, if not all, related legislation. Peru is also working towards increasing integration throughout Latin America through positive engagement with its Andean partners, its neighbour, Chile, and the Mercosur group of countries. Peru's support for regional harmony may position it well to advocate more widely for an approach to regional integration that respects free market principles and pursues cooperation while maintaining a commitment to social democracy.

2. The Andean Community economies

The Andean Community comprises four countries that voluntarily joined together for the purpose of achieving “more rapid, more balanced and autonomous development through Andean, South American and Latin American integration.”⁸

With a combined GDP of US\$279.6 billion and population of 94.4 million people, the Andean Community is growing in importance as a source of raw materials and agri-food products, and a destination for agricultural commodities, capital and consumer goods, and foreign direct investment.

The Andean countries have worked to address new challenges posed by globalization through trade liberalization and a common external tariff (CET), along with other mechanisms. To this end, a free trade area has been in operation since 1993, and a customs union was created in 1995. The completeness and effectiveness of the Andean customs union, however, remain weak. Colombia and Ecuador share the CET, but Bolivia maintains its own tariff and Peru does not participate.

⁸ Venezuela, originally an Andean member, announced its withdrawal in April 2006, pursuant to Colombia and Peru signing free trade agreements (FTAs) with the U.S. Venezuela is now a full-voting member of the Mercosur group of countries. Bolivia has also made a request to formally join Mercosur. It is not yet clear whether the Mercosur countries would allow Bolivia to hold double membership in the two trading blocks if permitted full entry to Mercosur.

Colombia

Colombia is the largest of the Andean countries, with a GDP of US \$135.1 billion and a population of 43.6 million people. It is also the largest in terms of merchandise trade, achieving U.S. \$41.8 billion in two-way trade in 2005.

Goods exports totalled US \$21.7 billion in 2006, and were dominated by oil, coal, coffee and ferrous nickel. Growth in non-traditional export sales, such as chemicals, textiles, clothing, processed foods, machinery, equipment, metallic manufactures, gold, beverages, flowers, sugar and tobacco, has been driven by a rebound of sales to Venezuela following its economic crisis, and improved access to the U.S. market for textiles and clothing under the ATPDEA. Due to the predominance of commodities in its export mix, Colombia's export earnings are heavily dependent on commodity price fluctuations.

Goods imports amounted to US \$20.1 billion in 2005 and comprised mostly capital goods, raw materials and inputs for industry. Imports increased in all categories, as a result of currency appreciation and improved access to credit, with greatest growth associated with durable goods, transport equipment and capital goods. The rise in imports of capital goods was associated with investment recovery, a temporary tax break that encouraged businesses to retool as well as a dramatic improvement in the security situation of the country which generated greater confidence for consumers, businesses and investors.

The U.S. is Colombia's most important trading partner, accounting for 39.5% of Colombian exports in 2006, and 26.4% of imports (Source: Colombian National Administrative Department of Statistics). A further 30% of imports are supplied by Venezuela, Mexico, Brazil and China. FTAs with the U.S. (signed but not yet ratified), Brazil and Mexico have stimulated imports from these countries, while Chinese imports have become more attractive due to increased supply of competitive products.

Market Profile of the Andean Countries

	Colombia	Peru	Ecuador	Bolivia
Population Source: CIA World Factbook	43.6 million (July 2006 est.)	28.3 million (July 2006 est.)	13.5 million (July 2006 est.)	9.0 million (July 2006 est.)
Gross Domestic Product (GDP) Source: IMF WEO database April 2007	US \$135.1 billion (2006 est.)	US \$93.3 billion (2006)	US \$40.4 billion (2006 est.)	US \$10.8 billion (2006)
Real GDP Growth Source: IMF WEO database April 2007	6.8% (2006 est.)	8.0% (2006 est.)	4.2% (2006 est.)	4.5% (2006)
Share of world GDP*	0.28%	0.19%	0.08%	0.02%
GDP growth forecast	6.3% (2006 est.) 5.5-6.5% (2007 est. by Banco de la Republica)	6.3% (2006)	3% (2006-2007)	3% (2007)
Private consumption (% GDP)	63.0%	66.1%	65.6%	66.0%
Government consumption (% GDP)	20.0%	10.2%	11.1%	14.3%
Origin of GDP (% of factor cost GDP)				
Agriculture:	13.09%	8.4%	7.0%	16.0%
Industry:	30.3%	26.8%	31.2%	35.2%
Services:	56.61%	52.9%	61.8%	52.0%
Exports of goods (fob)	US \$21.7 billion	US \$17.3 billion	US \$10.1 billion	US \$2.7 billion
Imports of goods (fob)	US \$20.1 billion	US \$12.1 billion	US \$9.8 billion	US \$2.2 billion
Principal exports	Petroleum & petroleum products; coal, coffee	Gold, copper, fishmeal, zinc	Oil and oil products, banana & plantain, flowers, canned fish	Natural gas, oil, zinc, soya
Main destinations of exports	US, Venezuela, Ecuador, Peru	US, China, Chile, Canada	US, Panama, Peru, Germany, Russia	Brazil, Venezuela, US, Argentina
Principal imports	Intermediate goods and raw materials, capital goods, consumer goods	Intermediate goods, capital goods, consumer goods	Raw materials, capital goods, consumer goods, fuel & lubricants	Raw materials, semi-manufacture, capital goods, consumer goods
Main sources of imports	US, Venezuela, Mexico, Brazil	US, China, Brazil, Ecuador	US, Colombia, Venezuela, Brazil, China	Brazil, Argentina, US, Chile

Source: Unless otherwise noted, all statistics are for 2005, and are drawn from Economist Intelligence Unit Country Reports (2006).

**based on World GDP (official exchange rate) of \$48.1 trillion (2006)

Peru

Peru has a population of 28.3 million people, an estimated GDP of US \$93.3 billion (2006) and GDP growth of 6.5% (2006 est). Trade is relatively underdeveloped in Peru, when compared with the size of the economy: exports of goods and services accounted for 20.9% of GDP in 2004, while imports accounted for 18.3% of GDP.

The mining and fisheries sectors were the principal sources of export earnings with main export destinations including the U.S., China, Chile and Canada. Mining exports (e.g. copper, zinc) accounted for 55% of merchandise exports in 2004. Peru was the world's largest exporter of fishmeal during the same year and also an exporter of canned, frozen and salted fish. Semi-processed agricultural products such as cotton, coffee and sugar are also among Peru's significant exports. Given the importance of primary products in export earnings, the Peruvian economy is exposed to shocks due to commodity price fluctuations or unfavourable weather conditions.

Non-traditional sectors have benefited from the ATPDEA, including the manufacturing (e.g. textiles, jewellery) and tourism sectors. Tourism is now the second most important earner of foreign exchange for Peru, after the mining sector.

Peru has experienced a trade surplus since 2002, largely due to growth in mining exports combined with rising commodity prices, and backed by strong demand from China and the U.S. Domestic demand has also risen over the same period, with increased spending on imports of capital goods related to mining, energy and construction projects. Peru's main imports include intermediate goods, capital goods and consumer goods, and are sourced largely from the U.S., China, Brazil and Ecuador.

Peru has a relatively liberal investment regime, with foreign investors receiving the same treatment as nationals. Foreign direct investment into Peru has been concentrated in large scale telecommunications, mining and natural gas projects, such as the privatization of Telefonica del Peru, the construction of the Antamina copper and zinc mine and the US \$1.6 billion Camisea natural gas project. According to ProInversión, Peru's privatization agency, the largest sources of FDI include Spain (US \$4.7 billion mainly in telecoms, energy, financial services), the U.S. (US \$2.6 billion mainly in mining, energy and financial services) and the UK (US \$2.3 billion mostly in mining, petroleum and telecoms). It is worth noting that much of the UK investment stock is in fact Canadian investment channelled through the British Virgin Islands.

Ecuador

Despite being rich in human and natural resources such as oil, mineral deposits and fertile land, Ecuador, with a population of 13.2 million people, remains one of the less developed countries of the Americas. Ecuador's GDP is currently estimated at US \$40.4 billion.

Oil and export-oriented agriculture comprise the main pillars of Ecuador's economy. Goods exports in 2005 totalled \$10.1 billion and were mainly in the oil, fruit (bananas), petroleum, seafood, metal goods and cut flowers industries. In 2005, Ecuador exported an average of 360,000 barrels of oil per day, and was the leading banana exporter in the world. The main destination of exports was to U.S. followed by Panama, Peru and Germany. Given the predominance of commodities in Ecuador's export mix, the economy is relatively vulnerable to external shocks.

Imports for the same year amounted to \$9.8 billion, largely comprising raw materials, capital goods, consumer goods and fuel. The main sources of imports were the U.S., Colombia, Venezuela and Brazil. While domestic consumption has increased since 2000, corresponding growth in domestic output has not occurred, leading to a rise in imports.

Ecuador is one of the most open economies in the region, having undergone rapid trade liberalization in the 1990s. Duties range from 0% to 20%, with significant duties remaining on consumer goods (20%) and automobile imports from outside the Andean Community (35%). While Ecuador has made efforts towards regional integration in Latin America and increased trade with its Andean partners, trade deficits with countries in the region persist due to competitiveness challenges.

Investment inflows into Ecuador experienced a sharp rise in the mid-1990s due to simplified investment procedures through the Foreign Investment Law in 1993 and the introduction of “production-sharing contracts” (PSCs) in the oil sector. FDI has traditionally come from the U.S., Canada, Europe and other countries in the Americas and is concentrated mostly in the oil sector (~80%), but also in the manufacturing (e.g. food, chemical, timber processing) and mining sectors. Political and economic instability have deterred FDI inflows to other sectors.

Bolivia

Bolivia is the smallest economy of the Andean Community, with a GDP of US \$10.8 billion in 2005, and a population of 8.5 million people. Two-way merchandise trade is relatively weak at US \$4.9 billion.

With goods exports totalling US \$2.7 billion and imports amounting to US \$2.2 billion in 2005, Bolivia currently has a positive trade balance approaching US \$0.5 billion. This is a result of weak domestic demand, growing exports of natural gas, improved access to the U.S. market through ATPDEA and higher prices for minerals on international markets.

Whereas the U.S. is the principal trading partner for the other countries of the Andean Community, Bolivia trades predominantly with Brazil; Brazil is a destination for Bolivia’s natural gas exports and a key source of raw materials and semi-manufactured goods. The construction of an import-intensive US\$2.2 billion Bolivia-Brazil gas pipeline and related infrastructure (approved by the World Bank in 1997) resulted in a surge of foreign direct investment along with increased merchandise trade between the two countries.

Privatization has been a key factor in Bolivia's economic growth in the past, although this activity has slowed due in part to the government’s May 2006 nationalization program which ended private ownership of hydrocarbon reserves and commercialization rights.

Significant uncertainty exists for foreign investors in the Bolivian mining sector. The Government of Bolivia promised a new mining policy, to be set out by the end of October 2006. However, President Morales announced that the administration’s plans for reform and “mining reactivation” would be postponed until sometime in 2007. Mining investors fear nationalization of the sector, similar to that in oil and gas industry. In spite of this uncertainty, the country is currently experiencing a boom, with several major mining projects slated for completion in 2007.

The U.S., Brazil, Italy and the UK are significant investors in Bolivia and have seen their share of imports of goods and equipment increase as a result. Further diversification in trade has resulted from trade liberalization with Andean partners, as well as China’s growing demand for Bolivia’s commodity exports.

3. Canada's bilateral trade and investment relationship

The Andean Community countries are significant trade and investment partners for Canada and FTAs with these countries are expected to open up new opportunities in these areas.

In 2006, Canadian merchandise exports to the four Andean countries totalled \$889 million while imports from them amounted to \$2.9 billion (Annex A). Colombia and Peru, in particular, are significant and growing destinations for Canadian exports, especially in the agri-food, machinery and equipment sectors. The combined stock of Canadian direct investment in Colombia, Peru, Ecuador and Bolivia is estimated at \$3.5 billion (2006).

Colombia

Colombia is an established market for Canadian products, with the agri-food sector being of significant importance. Two-way trade in goods between Canada and Colombia totalled \$1.14 billion in 2006, with Canadian domestic merchandise exports increasing by 9% over the previous year to \$447 million. Over the same period, imports from Colombia increased by 9% to \$634 million. Major Canadian exports consist of cereals, paper (newsprint), off-road dump trucks, copper wire, machinery and electrical equipment and leguminous vegetables. Top imports to Canada from Colombia include coal, fuel, coffee, bananas, cut flowers and sugars.

Canadian direct investment stock in Colombia amounted to \$453 million in 2006 according to official statistics, and has been concentrated in the oil exploration, mining, printing, footwear, food processing, education and household paper sectors. The Embassy estimates that the current stock of Canadian investment is significantly higher (\$3 billion). This estimate takes into account that a majority of Canadian investments are made through offshore financial centers and/or countries with which Canada has tax treaties (this is especially the case for the oil, gas and mining sectors). A preliminary survey undertaken by the Embassy revealed that Canadian investors are seizing investment opportunities in Colombia, with more than US\$2 billion in planned investment over the next two years. This survey also confirms an increasing flow of Canadian direct investment, particularly in the acquisition of property and exploration rights in the oil & gas and mining sectors.

Canadian commercial services exports to Colombia totalled \$17 million in 2004. Canada's key services interests in Colombia include oil and gas, mining services, engineering services, architectural, environmental services, distribution services and information technology.

Peru

Canada's trade in goods with Peru has expanded significantly in the past years. The value of Canadian domestic merchandise exports to Peru was \$267 million for 2006, representing an increase of 10% over the previous year. Imports totalled \$2.1 billion, an increase of 54.5% over 2005. Major Canadian merchandise exports to Peru are cereals, machinery, electrical equipment, leguminous vegetables and paper. Major imports from Peru consist of gold, copper and other ores, asparagus and fishmeal.

Canada is Peru's most important foreign direct investor in the mining sector and among the largest overall foreign investors with an estimated \$2.9 billion of investment stock in Peru as of 2006. The banking and printing sectors are also significant destinations for Canadian direct investment in Peru.

Recognizing this important relationship, the Canada-Peru Foreign Investment Protection and Promotion Agreement (FIPA) was signed on November 2006. Peru's total investment in Canada is very small, at only \$1 million in 2002 (the last year for which figures are available).

Peru was the destination for \$46 million of Canadian commercial services exports in 2004. Canada's key services interests in Peru include oil and gas, mining services, engineering services, architectural services, environmental services, distribution services, financial services and information technology.

Ecuador

Two-way trade between Canada and Ecuador amounted to \$289 million in 2006. Canadian domestic merchandise exports to Ecuador totalled \$151 million and consisted primarily of wheat, leguminous vegetables, machinery and equipment, newsprint and paper. Canadian imports from Ecuador totalled \$131 million in 2006 and consisted mainly of bananas, cut flowers and fish and seafood.

A Foreign Investment Protection and Promotion Agreement (FIPA) between Canada and Ecuador came into force on May 1997. Statistics Canada indicates that Canadian direct investment stock into Ecuador registered \$46 million in 2006.

Canada's commercial services exports to Ecuador grew from \$2 million in 2000 to \$26 million in 2004, largely as a result of investments in the oil and gas and mining sectors. Canada's key services interests in Ecuador include oil and gas, professional services and research and development.

Ecuador's willingness to negotiate a high quality free trade agreement with Canada at this time is unclear.

Bolivia

Canada has limited trade with Bolivia, with two-way trade in merchandise amounting to \$75 million in 2006, of which Canadian domestic merchandise exports to and imports from Bolivia totalled \$24 million and \$49 million respectively. Canadian primary exports to Bolivia include machinery, cereals, electrical equipment and trucks, while primary imports from Bolivia include silver ores, silver, tin, wood, and edible fruit and nuts.

Canadian direct investment stock into Bolivia was estimated at \$87 million in 2006, largely concentrated in the mining sector, while Bolivian direct investment into Canada was negligible.

Canada exported \$12 million in commercial services to Bolivia in 2004. Canada's key services interests in Bolivia include professional services, research and development and oil and gas.

4. Market access

While the Andean Community countries have achieved significant market liberalization, obstacles and rigidities remain a problem in some areas. An FTA could address high tariff levels on key Canadian exports, import procedures, non-tariff barriers, as well as restrictions on cross-border trade in services and investment.

An FTA would also offer the means to create mechanisms that allow for the early identification of issues and timely consultations to address specific issues, so as to minimize the risk of future trade barriers and promote joint cooperation.

Free trade agreements provide additional areas of potential benefit to Canadian exporters and consumers, which include, for example: rules of origin that ensure the benefits of the FTA flow only to goods qualifying as originating in the territory of either or both countries; establishment of effective customs procedures to administer and enforce the FTA's rules of origin; and the reduction of administrative and transaction costs for businesses through trade facilitation measures.

i) Goods

Colombia

Colombia has an overall most-favoured nation (MFN) applied tariff rate of 12% (11% on industrial goods and 17% on agriculture products). A reduction in tariffs could result in an increase of trade in products of export interest to Canadian agricultural producers and industrial manufacturers.

In the agricultural sector, the commodities that are likely to benefit the most from a free trade agreement with Colombia are wheat, barley, lentils and peas. Despite tariffs of 15%, Canadian exports of these products have been able, over the years, to capture a significant share of Colombia's market. This market position could soon be eroded, however, if the U.S.-Colombia TPA enters into force and competing U.S. exports of these goods receive duty-free treatment. In order to maintain and improve their competitive position vis-à-vis their U.S. counterparts, Canadian producers will need duty-free access to Colombia's market. A lowering of Colombia's high tariffs on pork (20%) and beef (5-80%) could also help Canadian producers to develop these markets further.

Canada's main industrial export to Colombia is newsprint, which already benefits from duty-free access. Other important merchandise exports are capital goods such as off-highway dumpers used in resource-extracting activities and various machinery and equipment products. While Colombia maintains tariffs on these products that can be as high as 20%, many of these Canadian exports may actually not be assessed any duty under Colombia's duty remission program for imported capital goods. However, eliminating the tariff on these goods would still be beneficial in providing Canadian exporters with more predictability regarding the tariff treatment they can expect in the Colombian market.

The vast majority of goods imported from Colombia already enter Canada free of duty. These include coffee, coal, bananas, fuel oil, and raw sugar, which together account for more than 70% of total Canadian imports from Colombia (2005).

Fresh cut flowers are the most important dutiable imports from Colombia. Despite tariffs ranging between 6-10.5%, Colombia is the source of about 50% of all imports of cut flowers in Canada. With its favourable climate, low production costs, and adequate distribution infrastructure, Colombia has a clear comparative advantage in this non-traditional agricultural production and ranks as the second largest exporter of fresh cut flowers in the world. The Canadian floriculture sector, for which production is concentrated in Ontario (51%), British Columbia (23%) and Quebec (12%), recorded sales of \$1.4 billion in 2004. This compares with imports from Colombia averaging \$59 million annually for the period 2004-2006. The elimination of tariffs on fresh cut flowers from Colombia could nonetheless represent a challenge for Canadian producers who would need to adapt to a more competitive environment. Canadian consumers, on the other hand, could benefit from lower prices for these products.

Canada also maintains a tariff of \$30.86/tonne on refined sugar imported from Colombia. While the value of these imports has been small traditionally, it has been increasing in recent years to reach \$8 million in 2006, or about 14,000 tonnes. This represents, however, less than 1.5 percent of the annual Canadian production of refined sugar, which is estimated at 1.1 million tonnes. The impact of a reduction in tariffs on imports of refined sugar from Colombia could, however, be lessened by the continued development of Colombia's ethanol production industry.

The value of industrial products imported from Colombia that still face Canadian tariffs is relatively small compared to the value of overall imports. These imports are mostly concentrated in the textile and apparel sector and include gimped yarns (8% tariff) and woven and knitted apparels (17-18% tariff). The value of these imports was averaging \$22 million annually for the period 2004-2006.

Please see Annex B for further information on Canada's key exports and imports to/from Colombia.

Peru

As with Colombia, the most significant market access benefit for Canada of a Canada-Peru FTA would be to secure a level playing field in sectors of export interest to Canadian industries. Should the U.S.-Peru TPA come into force, exports of wheat, which comprise 38% of Canada's total exports to Peru, will continue to face a 17% tariff, while U.S. wheat exports would receive immediate duty-free treatment. Canada will also continue to be subject to high tariffs on pulses (lentils, peas, beans), while U.S. producers would receive immediate duty-free treatment for lentils and peas and tariff elimination over five years for beans. Other products for which an FTA would level the playing field include high quality beef cuts, canary seed, animal and vegetal fats and oils and frozen french fries.

A reduction in Peru's tariffs could also contribute to increase the competitiveness of Canadian exports of industrial products such as machinery and equipment, paper, oil and plastics and rubber. Peru currently maintains tariffs of 4% to 12% on these types of goods. Lower tariffs could notably create opportunities in sectors of Canadian expertise, such as the supply of mining and hydro-electrical transmission equipment.

Given that nearly all goods imported from Peru already enter Canada free of duty (more than 97% of Peruvian imports entered duty-free in 2006), the marginal impact of an FTA with Peru in terms of increased import competition for Canadian industries is expected to be very small. In fact, apparel is the only sector for which dutiable trade occurred with Peru in recent years. Despite tariffs of 18%, Canada imported about \$23 million of Peruvian knit apparel annually, between 2003 and 2005. This, however, represents less than 0.8% of Canadian apparel imports from the world.

Please see Annex C for further information on Canada's key exports and imports to/from Peru.

Ecuador

As for the other Andean countries, Ecuador is an important importer of Canadian wheat. Canadian wheat exports, which represent about 45% of Canada's overall exports to Ecuador currently face a 10% tariff, and Canadian producers stand to gain a significant advantage over wheat exports from other regions in a free trade agreement. Canadian agricultural exporters could also benefit from improved market access in a number of other sectors, including leguminous vegetables, barley, beef and pork.

Canada would also seek to gain preferential access in a number of industrial sectors in which our exporters currently face tariffs of 5-20%, such as machinery and equipment, paper, and plastics and rubber.

Most imports from Ecuador (about 70%) already enter Canada free of duty. These consist primarily of bananas, other tropical fruits and fish and seafood. Fresh cut flowers are the most important dutiable imports from Ecuador. Despite Canadian tariffs ranging between 6-10.5%, Ecuador is the source of almost 25% of all Canadian imports of fresh cut flowers. As for Colombia, Ecuador, with its favourable climate, has a clear comparative advantage in this production.

Please see Annex D for further information on Canada's key exports to Ecuador.

Bolivia

Two-way trade between Canada and Bolivia is limited at \$73 million as of 2006 (Bolivia ranked as Canada's 108th trading partner in 2006). For these reasons, Canada has no significant export interests in this market as well as no domestic import-sensitive sectors that could be threatened by Bolivian imports.

Please see Annex E for further information on Canada's key exports to Bolivia.

ii) Non Tariff Barriers

There are also a number of non-tariff measures that are distinct to each country which may need to be addressed as part of the negotiations.

Technical Barriers to Trade

While difficult to quantify, Canadian industry cites non-tariff barriers, such as technical barriers to trade, as one of the greatest challenges to achieving market access internationally. Indeed, as tariffs reduce, non-tariff barriers are becoming increasingly important challenges to trade. As a result, Canada will seek to ensure that non-tariff barriers are addressed effectively under an FTA by: promoting non discrimination; promoting good regulatory practices including transparency, the use of international standards or their relevant parts and the streamlining of conformity assessment procedures; and, seeking the creation of a mechanism to address specific technical barriers to trade. The effective management of technical barriers to trade will help to facilitate market access for Canadian industry and exporters.

Sanitary and Phytosanitary Barriers to Trade

Over the past few years, Canadian agricultural exporters have raised concerns about several sanitary and phytosanitary (SPS) restrictions imposed by the Andean Community countries. Currently, all of the Andean Community countries maintain BSE-related bans on Canadian beef and cattle. Some of these countries also maintain restrictions against Canadian poultry. Canada will be seeking an effective means to manage SPS issues on a timely basis and to avoid trade problems.

5. Cross-border trade in services and investment

Services

Colombia and Peru

An FTA with the Andean countries would clearly provide a significant advantage to Canadian service providers as compared to other WTO Member countries not having FTAs with the Andean countries.

The U.S.-Colombia Free Trade Agreement and the U.S.-Peru free trade agreements will have implications for Canada's services providers if ratified and implemented. The commitments made by Peru and Colombia in their respective agreements with the United States well exceed those made in their revised WTO General Agreement on Trade in Services (GATS) offers (22 June 2005 and 21 July 2005 respectively).

In spite of the difficulties associated with comparing the positive list approach of the GATS with the negative list approach found in the U.S.-Peru FTA and the U.S.-Colombia FTA (and also the NAFTA), there is evidence that the U.S. received significantly more liberal treatment from both these countries than was received by WTO Members in their revised GATS offers. In a recent study by the WTO on Members GATS commitments versus their services commitments in regional FTAs, Colombia and Peru were shown to have some of the largest gaps between their FTA commitments and GATS offers in terms of improved and new bindings.

In the two FTAs, the United States received more liberal treatment than WTO Members in almost every service sector. This would include sectors of particular interest to Canadian service providers such as environmental services, financial services, certain professional services and energy/mining services. The absence of bound commitments in these areas in both countries' GATS schedule puts Canada at a disadvantage *vis-à-vis* U.S. service providers.

Moreover, looking at the framework of the cross-border services section of the U.S.-Colombia and U.S.-Peru FTAs, elements such as transparency, domestic regulation and recognition of professional services are incorporated. The inclusion of these disciplines is another way in which this agreement goes beyond the GATS, extending further preferential treatment to the United States over other WTO Members in Colombia and Peru (and also in the United States). These elements can be a crucial part of creating a stable business environment, extending predictability to foreign service providers in host markets. Canadian exporters would further benefit from an FTA with Peru and Colombia in terms of improvements in the temporary entry of business persons, which will allow for facilitated access of Canadian business persons into these markets.

Bolivia and Ecuador

To provide an initial indication of interest in respect to market access, Canada's bilateral request to Bolivia in the WTO GATS context covers professional services, research and development services, oil and gas services, horizontal commitments (Modes 1, 2 and 3) and the movement of natural persons (Mode 4). Canada's bilateral request to Ecuador covers research and development services, oil and gas services and movement of natural persons. Neither Ecuador nor Bolivia has GATS offers on the table for this Round - Bolivia had originally submitted initial and revised offers but has withdrawn them both.

Bolivia's existing GATS Uruguay Round commitments are minimal with coverage of the following sectors: Tourism and Travel Agency services, Recreational, Cultural and Sporting services, Telecommunication services and Financial services. Ecuador's existing GATS commitments are also quite limited with coverage of the following sectors: Professional services, Communication services, Construction and Engineering services, Distribution services, Financial services, Tourism and Travel services and Transport services. It can be presumed that sectoral coverage in an FTA with both Bolivia and Ecuador would extend significantly beyond what these countries have committed to in the GATS.

Canadian exporters would benefit from improvements in rules designed to increase transparency of regulations, broader access through temporary entry for business persons including a range of service providers and investors, as well as frameworks for the negotiation of mutual recognition agreements and provisions respecting professional licensing, and qualification requirements and procedures.

Financial Services

The Andean countries are generally quite open to foreign financial service providers and ongoing reform efforts are providing greater market access opportunities. However, notable restrictions remain on the cross-border provision of financial services in the four Andean countries, while regulatory regimes would benefit from increased transparency and predictability. Colombia does not currently allow foreign banks or insurers to operate through branches, and reserves the right to subject foreign financial institutions seeking to establish in Colombia to an economic needs test.

While the Andean Community is generally not a priority market for Canadian financial institutions, one Canadian bank has made an investment in Peru that is expected to result in it holding an 80% stake in that country's third largest bank. No particular concerns relating to this institution's operations or ability to expand have been identified.

A high quality financial services chapter similar to the one adopted in the NAFTA would provide Canadian financial institutions increased certainty and predictability; increased market access; increased transparency; national treatment; and most favoured nation provisions.

Investment Environment

Investment rules in an FTA based on Canada's model Foreign Investment and Protection and Promotion Agreement (FIPA) would provide Canadian investors greater stability, transparency and protection for their investments. The transparency of non-discriminatory regulatory measures seen as barriers to investment could also be improved in the investment chapter of an FTA.

Colombia

Recently the Colombian government has taken steps to improve business liberalization, economic growth and the investment environment, therefore, creating a greater sense of confidence on the part of foreign investors. Canadian companies have demonstrated an increasing interest in Colombia's oil and gas and mining sectors. Canadian FDI in Colombia is projected to reach over US\$5 billion over the next two years (Source: Embassy of Canada to Colombia).

The U.S. has concluded FTA negotiations with Colombia, and is currently taking steps to ratify this agreement. Canada's approach to investment in the context of an FTA is very similar to that of the U.S. Accordingly, we are seeking a high standard investment chapter and are expecting a high

likelihood of engagement. Canada is seeking an investment chapter that is based on the NAFTA and modifications we have made to our FIPA model as a result of lessons learned from our experience with the implementation and operation of the investment chapter of NAFTA. This approach is comparable to Colombia's recently signed FTA with the U.S.

Typically, an investment chapter would include provisions on National Treatment, MFN, minimum standard of treatment in accordance with principles of international law (e.g. fair and equitable treatment and full protection and security), protection from expropriation without fair and prompt compensation and the freedom to transfer capital related to an investment and improved investor-state dispute settlement provisions.

Peru

Canada is one of the largest foreign investors and the largest investor in Peru's mining sector. In 2005, Peru attracted the lion's share of Canadian investment in the region. The Foreign Investment Protection and Promotion Agreement (FIPA) signed on November 14th, 2006, is the first agreement Canada has negotiated on the basis of Canada's new model FIPA. The FIPA is considered a key factor in the continued growth of Canadian investment in mining and other sectors, such as, banking, oil and gas, electrical power and printing.

Canada's goal would be to negotiate a high standard investment chapter in an FTA which would be based on the Canada-Peru FIPA. This would also be in line with the U.S.-Peru FTA.

Ecuador

While Ecuador's political and economic environment have been relatively unstable in the past year, Canada remains Ecuador's second largest foreign investor in 2005, after the United States.

A Foreign Investment Protection and Promotion Agreement (FIPA) between Canada and Ecuador came into force on May 1997 and a double taxation agreement (DTA) between Canada and Ecuador entered into force on January 2002.

In negotiating an investment chapter as part of an FTA, Canada's intention would be to build on and strengthen the investment provisions of the existing Canada-Ecuador FIPA. At this time, Ecuador has not been able to make any commitments with regards to substantive issues of an FTA with Canada as a new government has recently taken office in mid-January 2007. FTA/FIPA architectural considerations need to be addressed.

Bolivia

Canadian investors in Bolivia are increasingly concerned about Bolivia's plan to nationalize the mining sector in 2007. Canadian companies are largely invested in the mining sector, particularly gold exploration and extraction. The nationalization process of the oil and gas sector is well advanced; however, Canadian companies were not affected, as there are no Canadian investments in this sector in Bolivia. Canadian investors remain concerned about the stability of the current regime and its intended move away from market oriented economic policies.

Other areas

An FTA would seek to ensure that each party maintains measures to proscribe anti-competitive business conduct and takes appropriate action, so that the benefits of trade and investment liberalization are not undermined. FTA obligations can assist in opening up markets in which procurement by the government is an important or dominant component. FTAs also contain procedures for the avoidance and settlement of disputes.

In addition, an FTA also provides scope to explore new or improved approaches to trade policy in areas such as telecommunications, electronic commerce, and intellectual property rights, which in turn can promote investment and innovation and support market access gains in many sectors of the economy. As it has in most FTAs to date, Canada will pursue appropriate provisions regarding the environment and labour in the context of the FTA negotiations.

7. Canadian domestic consultations

In November 2002, the Government of Canada embarked on a comprehensive consultation process with the Canadian public, provinces and territories, businesses and non-governmental organizations to seek input and to help define the scope of a potential free trade initiative with the Andean Community.

The vast majority of responses across a broad cross-section of the Canadian economy were favourable and included support from sectors such as agriculture and agri-food, fisheries, biotechnology and service providers (including financial services), though concerns were raised by the sugar sector, particularly over the potential implications of increasing market access for refined sugar. A number of provinces and territories also signalled their support during the consultations, and generally echoed the interests of industry.

Further to the formal public consultations process, Canadian business continues to express a high level of interest in engaging in FTA negotiations in the region: Canadian agri-food exporters, the mining industry and financial services sector have all urged the Government to consider the merits of entering free-trade discussions with one or more of the Andean countries.

Meanwhile, some stakeholders have expressed preoccupations over negotiating an FTA with countries where the human and labour rights situation is of concern. Others have questioned the efficacy of negotiating FTAs with relatively minor trade partners at the expense of similar negotiations with such major trading partners as China, Japan and India. Environmental concerns have also been expressed during the consultation process.

The Government of Canada will continue to consult Canadians on the proposed free trade initiative with the Andean countries to ensure that stakeholders remain apprised of developments and that their interests and concerns are understood and taken into account.

ANNEX A – Canada-Andean Community Trade Relationship

Canadian imports from the Andean Community (CAD millions)

	2002	2003	2004	2005	2006
Gold and Other Precious Metals	5	2	132	900	1129
Ores (Copper, Zinc, Silver, Lead)	156	113	154	185	463
Coal and Fuel Oil	127	80	129	210	379
Bananas and Other Tropical Fruits	168	152	131	157	175
Copper and Articles Thereof	0	12	24	118	175
Coffee	113	100	108	150	147
Cut Flowers	81	78	85	89	91
Fish Flour	43	39	37	26	43
Steel Casing	3	6	14	18	39
Sugars	9	37	17	12	37
Asparagus and other vegetables	13	20	22	28	33
Knit Apparel	16	20	25	27	31
Fish Fats and Oils	15	19	22	24	16
Tin	10	7	14	12	16
Preserved Food	8	8	10	12	16
Fish and Seafood	15	19	14	11	16
Machinery	4	4	8	11	11
Woven Apparel	3	5	7	12	8
Others	72	69	72	78	74
Total	861	790	1025	2080	2899

Canadian domestic exports to the Andean Community (CAD millions)

	2002	2003	2004	2005	2006
Cereals	236	180	264	227	277
Machinery	52	58	76	100	102
Newsprint and Paper	96	84	101	107	99
Off-Highway Dumpers	2	17	17	53	58
Leguminous Vegetables	61	50	58	58	46
Electrical Machinery	18	21	27	30	44
Fertilizers (potassium chloride)	24	24	27	39	32
Copper Wire	13	11	15	17	26
Optical Material	14	6	9	10	16
Plastics	9	13	12	16	14
Iron/Steel Products	4	7	7	12	12
Oil	3	23	2	21	10
Animal Blood	1	1	1	14	3
Zinc Ores	5	2	0	8	0
Others	68	57	83	96	151
Total	614	561	705	818	889

ANNEX B – Canada-Colombia Bilateral Economic Relationship

MERCHANDISE TRADE

Top Canadian Domestic Exports to Colombia (CAD Millions)

	Colombian Tariff	U.S. Treatment in U.S.-Colombia TPA	2004	2005	2006	3-yr Avg	Share of Cdn exports to Colombia*	Share of Cdn exports to the World
Wheat	15%	Free immediate	108	60	72	80	22%	2.50%
Newsprint and paper	Free for newsprint; 15% on other paper	Free over 5 years	69	75	59	68	19%	<1%
Machinery & equipment	0-20%	Free immediate to free over 10 yrs	35	41	57	44	10%	<1%
Off highway dumpers	15%	Free immediate	14	52	54	40	8%	22%
Pulses	15% on lentils/peas; 60% on beans	Free immediate for lentils/peas; TRQ for beans (free over 10 years)	40	32	29	34	10%	4%
Potassic	5%	Free immediate	15	28	24	22	6%	1%
Copper wire	5%	Free immediate	13	17	26	19	3%	2%
Barley	15%	Free (in 2009)	18	5	12	12	3%	3.50%
Various plastic & rubber	5-20%	Free immediate to free over 10 yrs	10	10	8	9	3%	<1%
Various textiles	5-20%	Free immediate	8	6	4	6	2%	<1%
Animal blood (for animal feed)	5%	Free immediate	1	14	2	6	1%	65%
Pork	20%	Free over 5 years	2	3	2	2	1%	<1%
Beef	5%-80%	Free immediate for prime grades; TRQ for other grades (free over 15 years)	0	2	0	1	1%	<1%

*Based on three-year average

Top Canadian Imports from Colombia (CAD Millions)

	Canadian Tariff	Colombia treatment in U.S. - Colombia TPA	2004	2005	2006	3-yr Avg.	Share of Cdn imports from Colombia*	Share of total Cdn Imports from World*
Coal	Free	Free	74	143	129	115	21%	9%
Coffee	Free	Free	88	125	117	110	20%	18%
Bananas	Free	Free	64	87	94	82	15%	29%
Fuel oil	Free	Free immediate	51	67	75	64	12%	2%
Cut flowers	6-10.5%	Free immediate	57	60	61	59	11%	50%
Steel casing for oil drilling	Free	Free	10	14	37	20	4%	5%
Raw cane sugar	Free	Free immediate for quota of 50KT growing by 750T each year	7	0	22	10	2%	4%
Gimped yarn	8%	Free immediate	7	7	6	7	1%	25%
Refined sugar	\$30/t (equivalent to 7%)	Free immediate for quota of 50KT growing by 750T each year	5	7	8	7	1%	30%
Men's/boy's jackets/trousers	17-18%	Free immediate	2	6	4	4	1%	<1%
Sugar candy	5%	Free immediate	3	3	3	3	1%	1%
Other T & A	-	Free immediate	11	13	10	11	2%	<1%

Source: Statistics Canada

*Based on three-year average.

SERVICES

Trade in services – Canadian exports to Colombia (CAD millions)

	2000	2001	2002	2003	2004
Travel	19	18	18	17	25
Commercial services	31	31	20	28	17
Transport and government services	14	14	13	12	16
Total	64	63	52	56	59

Source: Statistics Canada

Trade in services – Canadian imports from Colombia (CAD millions)

	2000	2001	2002	2003	2004
Travel	26	27	15	23	20
Commercial services	13	13	9	7	8
Transportation and government services	12	9	8	9	8
Total	50	48	31	40	35

Source: Statistics Canada

INVESTMENT

Bilateral investment stock (CAD millions)

	2002	2003	2004	2005	2006
Canadian direct investment in Colombia	708	270	392	344	453
Colombia foreign direct investment in Canada	N/A	3	3	1	1

Source: Statistics Canada

ANNEX C – Canada-Peru Bilateral Economic Relationship

MERCHANDISE TRADE

Top Canadian Domestic Exports to Peru (CAD Millions)

	Peruvian Tariff	U.S. Treatment in U.S.-Peru TPA	2004	2005	2006	3-yr Avg.	Share of Cdn exports to Peru*	Share of Cdn Exports to the World*
Wheat	17%	Free immediate	58	81	112	84	38%	2%
Machinery & equipment	4-12%	From free immediate to free over 7 years	41	52	56	50	22%	<1%
Pulses	25%	Free immediate for lentils/peas; free over 5 years for beans	11	16	10	12	6%	1.40%
Paper	12%	Free immediate	8	11	12	10	5%	<1%
Oil (not crude)	12%	Free over 10 years	0	18	1	6	3%	<1%
Various plastics & rubber	4-12%	From free immediate to free over 10 years	3	7	6	5	2%	<1%
Barley	17%	Free immediate	2	6	8	5	2%	1%
Potassic	4%	Free immediate	4	7	4	5	2%	<1%
Zinc ores	12%	Free immediate	0	8	0	3	1%	1.50%
Pork	12-20%	Free over 5 years	0	0	0	0	0%	<1%
Beef	12-20%	Free immediate for prime grades; TRQ for other grades (free over 12 years)	0	0	0	0	0%	<1%

Source: Statistics Canada

*Based on three-year average.

Top Canadian Imports from Peru (CAD Millions)

	Canadian Tariff	Peru treatment in U.S. -Peru TPA	2004	2005	2006	3-yr Avg.	Share of Canadian imports from Peru*	Share of Canadian Imports from World*
Gold	Free	Free	127	889	1119	712	55%	37%
Ores (copper/zinc/lead/silver)		Free	145	178	433	252	19%	11%
Refined copper	Free	Free	23	118	174	105	8%	22%
Oil (not crude)	Free	Free	0	0	160	53	4%	2%
Fish flour	Free	Free	37	25	41	34	3%	66%
Asparagus (off-seasonal)	Free	Free immediate	18	24	28	23	2%	36%
Various apparels	18%	Free immediate	21	22	26	23	2%	<1%
Coffee	Free	Free	17	22	26	22	2%	3%
Fish fats & oils	Free	Free	19	23	16	19	1%	60%
Various tropical fruits	Free	Free immediate	12	17	17	15	1%	<1%

Source: Statistics Canada

*Based on three-year average.

Bilateral trade in Commercial Services (CAD millions)

	2000	2001	2002	2003	2004
Canadian exports to Peru	31	23	31	37	46
Canadian imports from Peru	4	4	1	9	3

Source: Statistics Canada

Bilateral investment stock (CAD millions)

	2002	2003	2004	2005	2006
Canadian direct investment in Peru	2,081	1,942	2,151	2,063	2,910
Peru foreign direct investment in Canada	1	N/A	N/A	N/A	N/A

Source: Statistics Canada

ANNEX D – Canada-Ecuador Bilateral Economic Relationship

MERCHANDISE TRADE

Top Canadian Domestic Exports to Ecuador (CAD Millions)

	Ecuadorian Tariff	2004	2005	2006	3-Yr Avg.	Share of Canadian exports to Ecuador*	Share of Canadian Exports to the World*
Wheat	10%	72	68	63	68	45%	2%
Paper & newsprint	Paper: 15%; Newsprint: free	24	20	27	24	16%	<1%
Machinery and Equipment	5-20%	23	28	18	23	15%	<1%
Pulses	15%	7	9	7	8	5%	1%
Potassic	Free	8	4	3	5	3%	<1%
Various plastics & rubber	5-20%	4	4	4	4	3%	<1%

*Based on three-year average.

Top Canadian Imports from Ecuador (CAD Millions)

	Canadian Tariff	2004	2005	2006	3-Yr Avg.	Share of Canadian imports from Ecuador*	Share of Canadian Imports from World*
Bananas	Free	47	45	54	49	42%	21%
Cut flowers	6-10%	27	28	28	28	21%	24%
Fish and seafood	Free	13	9	12	11	9%	1%
Fruit preparations (palm hearts, fruit juices)	Free	7	8	9	8	6%	<1%
Other tropical fruits	Free	6	6	6	6	5%	1%
Penicillins & medicaments	Free	5	6	4	5	4%	<1%

*Based on three-year average.

Bilateral trade in Commercial Services (CAD millions)

	2000	2001	2002	2003	2004
Canadian exports to Ecuador	2	9	11	8	26
Canadian imports from Ecuador	1	3	2	1	2

Bilateral investment stock (CAD millions)

	2002	2003	2004	2005	2006
Canadian direct investment in Ecuador	262	306	N/A	254	46
Ecuador foreign direct investment in Canada	5	N/A	N/A	N/A	N/A

Source: Statistics Canada

ANNEX E – Canada-Bolivia Bilateral Economic Relationship

MERCHANDISE TRADE

Top Canadian Domestic Exports to Bolivia (CAD Millions)

	Bolivian Tariff	2004	2005	2006	3-Yr Avg.	Share of Canadian exports to Bolivia*	Share of Canadian Exports to the World*
Machinery and Equipment	0-10%	4	9	16	10	60%	<1%
Trucks	5%	1	2	1	1	8%	<1%
Wheat	10%	1	1	2	1	8%	<1%
Optic Material	10%	1	0	1	1	4%	<1%

*Based on three-year average.

Top Canadian Imports from Bolivia (CAD Millions)

	Canadian Tariff	2004	2005	2006	3-Yr Avg.	Share of Canadian imports from Bolivia*	Share of Canadian Imports from World*
Silver Ores	Free	8	7	21	12	36%	48%
Tin	Free	7	7	4	6	18%	20%
Silver	Free	1	3	7	4	11%	2%
Wood	Free	2	3	3	3	8%	<1%
Nuts	Free	2	2	2	2	6%	2%

*Based on three-year average.

Bilateral trade in Commercial Services (CAD millions)

	2000	2001	2002	2003	2004
Canadian exports to Bolivia	12	15	12	13	12
Canadian imports from Bolivia	4	5	1	1	1

Source: Statistics Canada

Bilateral investment stock (CAD millions)

	2002	2003	2004	2005	2006
Canadian direct investment in Bolivia	44	65	68	80	87
Bolivia foreign direct investment in Canada (Need to Update)	N/A	N/A	N/A	N/A	N/A

Source: Statistics Canada

APPENDIX 2: CANADA'S FIPA PROGRAM

Background on Canada's FIPA Program

A FIPA (Foreign Investment Promotion and Protection Agreement) is a bilateral treaty to protect foreign investment through legally-binding rights and obligations. Canada's model treaty provides a template for negotiating such rules. As the provisions remain subject to refinement by the Parties, it is unlikely that any two treaties will be exactly identical. Canada's FIPA model is available online at <http://www.international.gc.ca/assets/trade-agreements-accords-commerciaux/pdfs/2004-FIPA-model-en.pdf>.

A FIPA sets out the Parties' rights and obligations with respect to foreign investment. Such treaties seek to ensure that foreign investors will not: (a) be discriminated against; (b) have their investments expropriated without prompt and adequate compensation; and, (c) be subject to treatment lower than the minimum standard established in customary international law. Typically there are agreed exceptions to these obligations.

Canada promotes and protects foreign investment through a transparent rules-based system that affirms the right to regulate in the public interest. As an instrument that supports the rule of law and fosters fairness, non-discrimination and accountability, a FIPA encourages good governance. A FIPA also promotes sustainable development by exhorting governments not to lower health, safety or environmental measures in order to attract investment.

Canada began negotiating FIPAs in 1989 and currently has 24 such treaties.

Environmental Issues Related to the FIPA Model

Canada's FIPA model incorporates various safeguards protecting the right to regulate for legitimate public welfare objectives. It includes a general exception with respect to human, animal or plant life or health based on GATT article XX/GATS article XIV. The model also clarifies that non-discriminatory measures to protect health, safety and the environment do not constitute an indirect expropriation. This ensures that environmental regulations are not stifled by the obligation to provide compensation.

The model recognizes that it is inappropriate to encourage investment by relaxing domestic health, safety or environmental measures. In the event a Party offers such encouragement, the other Party may request consultations.

APPENDIX 3: ENVIRONMENTAL LEGISLATION AND REGULATIONS

Below is a non-exhaustive list of federal, provincial and territorial legislation⁹ and regulations that may enhance positive environmental impacts or mitigate against negative environmental impacts of the WTO Doha Round of trade negotiations.

Laws of General Application

Federal

ANTARCTIC ENVIRONMENTAL PROTECTION ACT

AUDITOR GENERAL ACT

CANADA EMISSION REDUCTION INCENTIVES AGENCY ACT

- CANADA EMISSION REDUCTION INCENTIVES AGENCY ACT (S.C. 2005, c. 30)

CANADA NATIONAL PARKS ACT

- CANADA NATIONAL PARKS ACT (S.C. 2000, c. 32)

CANADA SHIPPING ACT

- CANADA SHIPPING ACT (R.S.C. 1985, c. S-9)
- Air Pollution Regulations (C.R.C., c. 1404)
- Ballast Water Control and Management Regulations (SOR/2006-129)
- Collision Regulations (C.R.C., 1978, c. 1416)
- Dangerous Bulk Materials Regulations (SOR/87-24)
- Dangerous Chemicals and Noxious Liquid Substances Regulations (SOR/93-4)
- Dangerous Goods Shipping Regulations (SOR/81-951)
- Fire Detection and Extinguishing Equipment (C.R.C. 1978, c. 1422)
- Garbage Pollution Prevention Regulations (C.R.C., c. 1424)
- Great Lakes Sewage Pollution Prevention Regulations (C.R.C., c. 1429)
- Non-Pleasure Craft Sewage Pollution Prevention Regulations (SOR/91-659)
- Oil Pollution Prevention Regulations (SOR/93-3)
- Pleasure Craft Sewage Pollution Prevention Regulations (SOR/91-661)
- Pollutant Discharge Reporting Regulations, 1995 (SOR/95-351)
- Pollutant Substances Regulations (C.R.C., c. 1458)
- Response Organizations and Oil Handling Facilities Regulations (SOR/95-405)

CANADA TRANSPORTATION ACT

⁹ Electronic copies of the actual legislation can be obtained online at <http://laws.justice.gc.ca/en/index.html> (federal) and http://www.canlii.org/index_en.html (provincial/territorial).

CANADIAN ENVIRONMENTAL ASSESSMENT ACT (CEAA)

- CANADIAN ENVIRONMENTAL ASSESSMENT ACT (S.C. 1992, c. 37)
- Canada Port Authority Environmental Assessment Regulations (SOR/99-318)
- Comprehensive Study List Regulations (SOR/94-638)
- Exclusion List Regulations (SOR/94-639)
- Federal Authorities Regulations (SOR/96-280)
- Inclusion List Regulations (SOR/94-637)
- Law List Regulations (SOR/94-636)
- Projects Outside Canada Environmental Assessment Regulations (SOR/96-491)
- Regulations Respecting the Coordination by Federal Authorities of Environmental Assessment Procedures and Requirements (SOR/97-181)

CANADIAN ENVIRONMENTAL PROTECTION ACT, 1999 (CEPA)

- CANADIAN ENVIRONMENTAL PROTECTION ACT, 1999 (S.C. 1999, c. 33)
- 2-Butoxyethanol Regulations (SOR/2006-347)
- Alberta Equivalency Order (SOR/94-752)
- Asbestos Mines and Mills Release Regulations (SOR/90-341)
- Benzene in Gasoline Regulations (SOR/97-493)
- Biological Test Method: Reference Method for Determining Acute Lethality of Effluents to *Daphnia magna* (EPS 1/RM/14)
- Biological Test Method: Reference Method for Determining Acute Lethality of Effluents to Rainbow Trout (EPS 1/RM/13)
- Biological Test Method: Test of Larval Growth and Survival Using Fathead Minnows (EPS 1/RM/22)
- Biological Test Method: Test of Reproduction and Survival Using the Cladoceran *Ceriodaphnia dubia* (EPS 1/RM/21)
- Chlor-Alkali Mercury Release Regulations (SOR/90-130)
- Chlorobiphenyls Regulations (SOR/91-152)
- Code of Practice for the Reduction of Chlorofluorocarbon Emissions from Refrigeration and Air Conditioning Systems
- Compliance and Enforcement Policy for the Canadian Environmental Protection Act, 1999 (CEPA, 1999) (March 2001)
- Contaminated Fuel Regulations (SOR/91-486)
- Disposal at Sea Regulations (SOR/2001-275)
- Domestic Substances List (SOR/94-311)
- Environmental Assessments of Priority Substances Under the Canadian Environmental Protection Act
- Environmental Code of Practice for Base Metals Smelters and Refineries (First Edition, March 2006)
- Environmental Code of Practice for Elimination of Fluorocarbon Emissions from Refrigeration and Air Conditioning Systems
- Environmental Code of Practice for Integrated Steel Mills (EPS 1/MM/7 - March 2001)
- Environmental Code of Practice for Non-Integrated Steel Mills (EPS 1/MM/8 - March 2001)

- Environmental Code of Practice for the Reduction of Solvent Emissions from Dry Cleaning Facilities (CCME-EPC/AITG-50E)
- Environmental Code of Practice for Vapour Recovery in Gasoline Distribution Networks (CCME-EPC/TRE-30E)
- Environmental Code of Practice on Halons (Code of Practice EPS 1/RA/3E)
- Environmental Emergency Regulations (SOR/2003-307)
- Export and Import of Hazardous Waste and Hazardous Recyclable Material Regulations (SOR/2005-149)
- Export Control List Notification Regulations (SOR/2000-108)
- Export of Substances Under the Rotterdam Convention Regulations (SOR/2002-317)
- Federal Above-ground Storage Tank Technical Guidelines (P.C. 1996-1233)
- Federal Halocarbon Regulations, 2003 (SOR/2003-289)
- Federal Mobile PCB Treatment and Destruction Regulations (SOR/90-5)
- Federal Underground Storage Tank Technical Guidelines
- Fuels Information Regulations, No. 1 (C.R.C., c. 407)
- Gasoline and Gasoline Blend Dispensing Flow Rate Regulations (SOR/2000-43)
- Gasoline Regulations (SOR/90-247)
- Guidance Document for Flow Measurement of Metal Mining Effluents (April 2001)
- Guidance Document for the Sampling and Analysis of Metal Mining Effluents (April 2001)
- Guide to Understanding the Canadian Environmental Protection Act, 1999 (October 27, 2004)
- Guidelines for the Implementation of the Pollution Prevention Planning Provisions of Part 4 of the Canadian Environmental Protection Act, 1999 (CEPA 1999) (February 2001)
- Guidelines for the Notification and Testing of New Substances: Chemicals and Polymers (REPEALED) (August 2001)
- Guidelines for the Use of Information Gathering Authorities Under Section 46 of the Canadian Environmental Protection Act, 1999 (March 2001)
- Guidelines for Volatile Organic Compounds in Consumer Products (2003)
- Implementation Guidelines for Part 8 of the Canadian Environmental Protection Act, 1999 – Environmental Emergency Plans (September 2003)
- Interprovincial Movement of Hazardous Waste Regulations (SOR/2002-301)
- List of Hazardous Waste Authorities (SOR/92-636)
- List of Toxic Substances Authorities (SOR/94-162)
- Masked Name Regulations (SOR/94-261)
- National Emission Guidelines for Stationary Combustion Turbines (CCME-EPC/AITG-49E)
- National Pollutant Release Inventory and Municipal Wastewater Services (May 2003)
- New Source Emission Guidelines for Thermal Electricity Generation (Canada Gazette, Part I, January 4, 2003)
- New Substances Fees Regulations (SOR/2002-374)
- New Substances Notification Regulations (Chemicals and Polymers) (SOR/2005-247)
- New Substances Notification Regulations (Organisms) (SOR/2005-248)

- Non-domestic Substances List (Canada Gazette, Part I)
- Notice with Respect to Reporting of Greenhouse Gases (GHGs) for 2005 (Canada Gazette Part I, March 12, 2005)
- Notice with Respect to Reporting of Greenhouse Gases (GHGs) for 2006 (Canada Gazette, Part I, July 15, 2006)
- Notice with Respect to Selected Substances Identified as Priority for Action (Canada Gazette Part I, March 4, 2006)
- Notice with Respect to Substances in the National Pollutant Release Inventory for 2005 (Canada Gazette, Part I, February 19, 2005)
- Notice with respect to substances in the National Pollutant Release Inventory for 2006 (Canada Gazette Part I, February 25, 2006)
- Off-Road Compression-Ignition Engine Emission Regulations (SOR/2005-32)
- Off-Road Small Spark-Ignition Engine Emission Regulations (SOR/2003-355)
- On-Road Vehicle and Engine Emission Regulations (SOR/2003-2)
- Ozone-Depleting Substances Regulations, 1998 (SOR/99-7)
- PCB Waste Export Regulations, 1996 (SOR/97-109)
- Persistence and Bioaccumulation Regulations (SOR/2000-107)
- Phosphorus Concentration Regulations (SOR/89-501)
- Prohibition of Certain Toxic Substances Regulations, 2005 (SOR/2005-41)
- Pulp and Paper Mill Defoamer and Wood Chip Regulations (SOR/92-268)
- Pulp and Paper Mill Effluent Chlorinated Dioxins and Furans Regulations (SOR/92-267)
- Registration of Storage Tank Systems for Petroleum Products and Allied Petroleum Products on Federal Lands Regulations (SOR/97-10)
- Regulations Respecting Applications for Permits for Disposal at Sea (SOR/2001-276)
- Reporting For The Domestic Substances List
- Rules of Procedure for Boards of Review (SOR/2003-28)
- Secondary Lead Smelter Release Regulations (SOR/91-155)
- Solvent Degreasing Regulations (SOR/2003-283)
- Storage of PCB Material Regulations (SOR/92-507)
- Sulphur in Diesel Fuel Regulations (SOR/2002-254)
- Sulphur in Gasoline Regulations (SOR/99-236)
- Tetrachloroethylene (Use In Dry Cleaning and Reporting Requirements) Regulations (SOR/2003-79)
- Toxic Substances Management Policy
- Toxic Substances Management Policy : Persistence and Bioaccumulation Criteria
- Toxic Substances Management Policy : Report on Public Consultations
- Tributyltetradecylphosphonium Chloride Regulations (SOR/2000-66)
- Vinyl Chloride Release Regulations, 1992 (SOR/92-631)
- Virtual Elimination List (SOR/2006-298)

CANADIAN FOOD AND DRUGS ACT

CANADIAN NUCLEAR SAFETY AND CONTROL ACT¹⁰

DEPARTMENT OF THE ENVIRONMENT ACT

- DEPARTMENT OF THE ENVIRONMENT ACT (R.S.C. 1985, c. E-10)

EMERGENCIES ACT

- EMERGENCIES ACT (R.S.C. 1985, c. 22 (4th Supp.))

EMERGENCIES PREPAREDNESS ACT

ENERGY EFFICIENCY ACT

- ENERGY EFFICIENCY ACT (S.C. 1992, c. 36)
- Energy Efficiency Regulations (SOR/94-651)

HAZARDOUS MATERIALS INFORMATION REVIEW ACT

- HAZARDOUS MATERIALS INFORMATION REVIEW ACT (R.S.C 1985, c. 24 (3rd Supp.))
- Application for a Claim for Exemption
- Hazardous Materials Information Review Act Appeal Board Procedures Regulations (SOR/91-86)
- Hazardous Materials Information Review Regulations (SOR/88-456)

HAZARDOUS PRODUCTS ACT

- HAZARDOUS PRODUCTS ACT (R.S.C. 1985, c. H-3)
- Carbonated Beverage Glass Containers Regulations (SOR/80-831)
- Consumer Chemicals and Containers Regulations, 2001 (SOR/2001-269)
- Controlled Products Regulations (SOR/88-66)
- Hazardous Products (Crocidolite Asbestos) Regulations (SOR/89-440)
- Hazardous Products (Glazed Ceramics and Glassware) Regulations (SOR/98-176)
- Ingredient Disclosure List (SOR/88-64)
- Safety Glass Regulations (C.R.C. 1978, c. 933)
- Surface Coating Materials Regulations (SOR/2005-109)

NATIONAL ROUND TABLE ON THE ENVIRONMENT AND THE ECONOMY ACT

- NATIONAL ROUND TABLE ON THE ENVIRONMENT AND THE ECONOMY ACT (S.C. 1993, c. 31)

NORTHWEST TERRITORIES WATERS ACT

- NORTHWEST TERRITORIES WATERS ACT (S.C. 1992, c. 39)
- Northwest Territories Waters Regulations (SOR/93-303)

¹⁰ This has replaced the Atomic Energy Control Act

NUCLEAR FUEL WASTE ACT

- NUCLEAR FUEL WASTE ACT (S.C. 2002, c. 23)

PEST CONTROL PRODUCTS ACT

- Pest Control Products Act (S.C. 2002, c. 28)
- List of Pest Control Product Formulants and Contaminants of Health or Environmental Concern (SI/2005-114)
- Pest Control Products Regulations (REPEALED) (C.R.C., c. 1253)
- PEST CONTROL PRODUCTS ACT (REPEALED) (R.S.C. 1985, c. P-9)
- Pest Control Products Incident Reporting Regulations (SOR/2006-260)
- Pest Control Products Regulations (SOR/2006-124)
- Pest Control Products Sales and Information Reporting Regulations (SOR/2006-261)
- Regulations Prescribing the Fees to Be Paid for a Pest Control Product Application Examination Service Provided by or on Behalf of Her Majesty in Right of Canada, for a Right or Privilege to Manufacture or Sell a Pest Control Product in Canada and for Establishing a Maximum Residue Limit in Relation to a Pest Control Product (SOR/97-173)

PILOTAGE ACT

RAILWAY SAFETY ACT

- RAILWAY SAFETY ACT (R.S.C. 1985, c. 32 (4th Supp.))
- Ammonium Nitrate Storage Facilities Regulations (C.R.C., Vol. XII, c. 1145)
- Anhydrous Ammonia Bulk Storage Regulations (C.R.C., Vol. XII, c. 1146)
- Chlorine Tank Car Unloading Facilities Regulations (C.R.C., Vol. XII, c. 1147)
- Flammable Liquids Bulk Storage Regulations (C.R.C., Vol. XII, c. 1148)
- Handling of Carloads of Explosives on Railway Trackage Regulations (SOR/79-15)
- Heating and Power Boilers Regulations (C.R.C., Vol. XII, c. 1151)
- Highway Crossings Protective Devices Regulations (C.R.C., Vol. XIII, c. 1183)
- Liquefied Petroleum Gases Bulk Storage Regulations (C.R.C., Vol. XII, c. 1152)
- Mining Near Lines of Railways Regulations (SOR/91-104)
- Notice of Railway Works Regulations (SOR/91-103)
- Railway Prevention of Electric Sparks Regulations (SOR/82-1015)
- Railway Safety Appliance Standards Regulations (C.R.C., Vol. XIII, c. 1171)
- Railway Safety Management System Regulations (SOR/2001-37)
- Railway-Highway Crossing at Grade Regulations (SOR/80-748)
- Service Equipment Cars Regulations (SOR/86-922)
- Specifications 112 and 114 Tank Cars Regulations (SOR/79-101)
- Wire Crossings and Proximities Regulations (C.R.C., Vol. XIII, c. 1195)

SAFE CONTAINERS CONVENTION ACT

- SAFE CONTAINERS CONVENTION ACT (R.S.C. 1985, c. S-1)
- Safe Containers Convention Regulations (SOR/82-1038)

TERRITORIAL LANDS ACT

- TERRITORIAL LANDS ACT (R.S.C. 1985, c. T-7)
- Canada Oil and Gas Drilling and Production Regulations (C.R.C., c. 1517)
- Territorial Land Use Regulations (C.R.C., c. 1524)

RESOURCES AND TECHNICAL SURVEYS ACT

TRANSPORTATION OF DANGEROUS GOODS ACT

- TRANSPORTATION OF DANGEROUS GOODS ACT, 1992 (S.C. 1992, c. 34)
- Toronto Area Rail Transportation of Dangerous Goods Advisory Council Order (SOR/86-332)
- Transportation of Dangerous Goods General Policy Advisory Council Order (SOR/90-153)
- Transportation of Dangerous Goods Regulations (SOR/2001-286)
- Transportation of Dangerous Goods Regulations - Schedules (SOR/2001-286)

YUKON ENVIRONMENTAL AND SOCIO-ECONOMIC ASSESSMENT ACT

- YUKON ENVIRONMENTAL AND SOCIO-ECONOMIC ASSESSMENT ACT (S.C. 2003, c. 7)

Provincial/Territorial

Ontario	Environmental Protection Act, Environmental Assessment Act, Dangerous Goods Transportation Act, Environmental Bill of Rights
Quebec	Environment Quality Act, Ministry of the Environment Act, Transport Act
Nova Scotia	Environment Act, Environmental Assessment Regulations
New Brunswick	Clean Environment Act, Environmental Impact Assessment Regulation, Transportation of Dangerous Goods Act
Manitoba	Sustainable Development Act, Environment Act, Dangerous Goods Transportation and Handling Act
British Columbia	Environmental Management Act, Environmental Assessment Act, Transportation of Dangerous Goods Act
Prince Edward Island	Environmental Protection Act
Alberta	Environmental Protection and Enhancement Act, Environmental Assessment Regulation, Dangerous Goods Transportation and Handling Act
Saskatchewan	Environmental Assessment Act, Environmental Management and Protection Act, Dangerous Goods Transportation Act,
Newfoundland and Labrador	Environmental Protection Act, Environmental Assessment Regulations, Dangerous Goods Transportation Act
Northwest Territories	Environmental Protection Act, Environmental Rights Act, Transportation of Dangerous Goods Act

Yukon	Environment Act, Environmental Assessment Act and Regulations, Dangerous Goods Transportation Act, Yukon Environmental and Socio- Economic Assessment Act, Yukon Act
Nunavut	Transportation of Dangerous Goods Act

Laws impacting air

Federal

AERONAUTICS ACT

ALTERNATIVE FUELS ACT

- Alternative Fuels Regulations (SOR/96-453)

WEATHER MODIFICATION INFORMATION ACT

- Weather Modification Information Regulations (C.R.C., c. 1604)

Canadian Aviation Regulations
Motor Vehicle Fuel Consumption Standards

Provincial/Territorial

Ontario	Environmental Protection Act <ul style="list-style-type: none"> ▪ Regulation 419/05 – Air Pollution – Local Air Quality ▪ Regulation 194/05 – Industry Emissions – Nitrogen Oxides and Sulfur Dioxide ▪ Regulation 127/01 – Air Contaminant Discharge Monitoring and Reporting ▪ Regulation 397/01 – Emissions Trading ▪ Ozone-depleting Substance Regulations
Nova Scotia	Air Quality Regulations, Ozone Layer Protection Regulations
New Brunswick	Clean Air Act, Air Quality Regulation, Ozone-depleting Substances Regulation
Manitoba	Ozone-depleting Substances Act
British Columbia	Ozone-depleting Substances and Other Halocarbons Regulation, BC Cleaner Gasoline Regulation, Sulphur Content of Fuel Regulation
Prince Edward Island	Transboundary Pollution (Reciprocal Access) Act
Alberta	Clean Air Act, Ozone-depleting Substances Regulation
Saskatchewan	Clean Air Act and Regulations, Ozone-depleting Substances Control Regulations
Newfoundland and Labrador	Air Pollution Control Regulations, Halocarbon Regulations

Laws impacting flora and fauna

Federal

ARCTIC WILDLIFE ACT

CANADA WILDLIFE ACT

- CANADA WILDLIFE ACT (R.S.C., 1985, c. W-9)
- Wildlife Area Regulations (C.R.C., c. 1609)

FERTILIZER ACT

HEALTH OF ANIMALS ACT

MIGRATORY BIRDS CONVENTION ACT, 1994

- MIGRATORY BIRDS CONVENTION ACT, 1994 (S.C. 1994, c. 22)
- Migratory Bird Sanctuary Regulations (C.R.C., c. 1036)
- Migratory Birds Regulations (C.R.C., c. 1035)

Migratory Birds Regulations

National Wildlife Week Act

PEST CONTROL PRODUCTS ACT

PESTICIDE RESIDUE COMPENSATION ACT

PLANT PROTECTION ACT

SPECIES AT RISK ACT (2002)

- SPECIES AT RISK ACT (S.C. 2002, c. 29)
- Order Extending the Time for the Assessment of the Status of Wildlife Species (SOR/2006-115)
- Order Extending the Time for the Assessment of the Status of Wildlife Species (REPEALED) (SOR/2003-215)

WILD ANIMAL AND PLANT PROTECTION AND REGULATION OF INTERNATIONAL AND INTERPROVINCIAL TRADE ACT

- WILD ANIMAL AND PLANT PROTECTION AND REGULATION OF INTERNATIONAL AND INTERPROVINCIAL TRADE ACT (S.C. 1992, c. 52)
- Wild Animal and Plant Trade Regulations (SOR/96-263)

Provincial/Territorial

Ontario

Fish and Wildlife Conservation Act, Forestry Act

Crown Forest Sustainability Act, 1994

Pesticides Act

Endangered Species Act

Wilderness Areas Act

Quebec	Wildlife Conservation and Development Act, Natural Heritage Conservation Act, Act Respecting Threatened or Vulnerable Species, Pesticides Act, Tree Protection Act
Nova Scotia	Wildlife Habitat and Watercourses Protection Regulations, Endangered Species Act, Fisheries and Coastal Resources Act, Forests Act, Forest Sustainability Regulations
New Brunswick	Endangered Species Act, Fish and Wildlife Act,
Manitoba	Forest Act, Wildlife Act, Fisheries Act, Fishermen's Assistance and Polluters' Liability Act, Endangered Species Act
British Columbia	Wildlife Act, Fisheries Act, Freshwater Fish Regulation, Farming and Fishing Industries Development Act, Fish Protection Act
Prince Edward Island	Wildlife Conservation Act, Fisheries Act
Saskatchewan	Forest Resources Management Act, Wildlife Act, Wildlife Habitat Protection Act, Fisheries Act
Northwest Territories	Wildlife Act
Yukon	Wildlife Act, Migratory Birds Convention Act, Fisheries Act, Forest Protection Act

Laws impacting water and fisheries

Federal

ARCTIC WATERS POLLUTION PREVENTION ACT

- ARCTIC WATERS POLLUTION PREVENTION ACT (R.S.C. 1985, c. A-12)
- Arctic Shipping Pollution Prevention Regulations (C.R.C., c. 353)
- Arctic Waters Pollution Prevention Regulations (C.R.C., c. 354)
- Governor in Council Authority Delegation Order (C.R.C., c. 355)
- Steering Appliances and Equipment Regulations (SOR/83-810)

CANADA MARINE ACT

- CANADA MARINE ACT (S.C. 1998, c. 10)
- Natural and Man-made Harbour Navigation and Use Regulations (SOR/2005-73)
- Port Authorities Operations Regulations (SOR/2000-55)
- Seaway Property Regulations (SOR/2003-105)

CANADA NATIONAL MARINE CONSERVATION AREAS ACT

- CANADA NATIONAL MARINE CONSERVATION AREAS ACT (S.C. 2002, c. 18)

CANADA WATER ACT

- CANADA WATER ACT (R.S.C. 1985, c. C-11)
- Guidelines for Canadian Drinking Water Quality
- Guidelines for Canadian Drinking Water Quality 1978
- Guidelines for Canadian Drinking Water Quality Summary Table (March 2006)

- Guidelines for Effluent Quality and Wastewater Treatment at Federal Establishments (EPS 1-EC-76-1)

COASTAL FISHERIES PROTECTION ACT

COASTING TRADE ACT

FISHERIES ACT

- Chlor-Alkali Mercury Liquid Effluent Regulations (C.R.C. 1978, c. 811)
- Compliance and Enforcement Policy for the Habitat Protection and Pollution Prevention Provisions of the Fisheries Act (July 2001)
- Fish Health Protection Regulations (C.R.C. 1978, c. 812)
- Fish Toxicant Regulations (SOR/88-258)
- Fishery (General) Regulations (SOR/93-53)
- Management of Contaminated Fisheries Regulations (SOR/90-351)
- Meat and Poultry Products Plant Liquid Effluent Regulations (C.R.C., c. 818)
- Metal Mining Effluent Regulations (SOR/2002-222)
- Petroleum Refinery Liquid Effluent Regulations (C.R.C., c. 828)
- Potato Processing Plant Liquid Effluent Regulations (C.R.C., c. 829)
- Pulp and Paper Effluent Regulations (SOR/92-269)
- Understanding the Pulp and Paper Environmental Effects Monitoring Program (2004)

INTERNATIONAL BOUNDARY WATERS TREATY ACT

INTERNATIONAL RIVERS IMPROVEMENTS ACT

- INTERNATIONAL RIVER IMPROVEMENTS ACT (R.S.C. 1985, c. I-20)
- International River Improvements Regulations (C.R.C., c. 982)

LAC SEUL CONSERVATION ACT

LAKE OF THE WOODS CONTROL BOARD ACT

NAVIGABLE WATERS PROTECTION ACT

- NAVIGABLE WATERS PROTECTION ACT (R.S.C. 1985, c. N-22)
- Navigable Waters Bridges Regulations (CRC, Vol. XIII, c. 1231)
- Navigable Waters Works Regulations (C.R.C., Vol. XIII, c. 1232)

NORTHWEST TERRITORIES WATER ACT

OCEANS ACT

YUKON WATERS ACT

Provincial/Territorial

Ontario	Ontario Water Resources Act <ul style="list-style-type: none">▪ Regulation 387/04 - Water Taking and Transfer▪ Water Well Regulation (Regulation 903) Nutrient Management Act, 2002 Safe Drinking Water Act, 2002 Clean Water Act, 2006 Lakes and Rivers Improvement Act Sustainable Water and Sewage Systems Act Pesticides Act
Quebec	Watercourses Act, Water Resources Preservation Act
Nova Scotia	Water Resources Protection Act, Wildlife Habitat and Watercourses Protection Regulations,
New Brunswick	Clean Water Act, Water Quality Regulations, Watercourse Alteration Regulations
Manitoba	Conservation Agreements Act, Ground Water and Water Well Act, Water Protection Act, Water Resources Conservation and Protection Act
British Columbia	Water Act, Water Protection Act, Groundwater Protection Regulation
Prince Edward Island	Water and Sewage Act
Alberta	Water Act, Surface Water Quality Guidelines
Saskatchewan	Water Regulations, Groundwater Conservation Act
Newfoundland and Labrador	Water Resources Act
Northwest Territories	Northwest Territories Waters Act, Water Resources Agreements Act
Yukon	Water Act
Nunavut	Nunavut Waters and Nunavut Surface Rights Tribunal Act

Laws impacting land and non-renewable resources

Federal

AGRICULTURAL AND RURAL DEVELOPMENT ACT
CANADA AGRICULTURAL PRODUCTS ACT
CANADA-NOVA SCOTIA OFFSHORE PETROLEUM RESOURCES ACCORD IMPLEMENTATION ACT
CANADA-NEWFOUNDLAND-ATLANTIC ACCORD IMPLEMENTATION ACT
CANADA OIL AND GAS OPERATIONS ACT
CANADA PETROLEUM RESOURCES ACT
ENERGY SUPPLIES EMERGENCY ACT
FERTILIZER ACT
FIRST NATIONS LAND MANAGEMENT ACT

INDIAN OIL AND GAS ACT
 JAMES BAY AND NORTHERN QUÉBEC NATIVE CLAIMS SETTLEMENT ACT
 MACKENZIE VALLEY RESOURCE MANAGEMENT ACT
 MANGANESE-BASED FUEL ADDITIVES ACT

- MANGANESE-BASED FUEL ADDITIVES ACT (S.C. 1997, C. 11)

 Motor Vehicle Fuel Consumptions Standards (Not in Force)
 NATIONAL ENERGY BOARD ACT
 NORTHERN PIPELINE ACT
 TERRITORIAL LANDS ACT

Provincial/Territorial

Ontario	Environmental Protection Act <ul style="list-style-type: none"> ▪ Regulations 101-104 ▪ Regulation 153 – Record of Site Condition (Brownfields) ▪ Deep Well Disposal Regulation (Regulation 341) ▪ Regulation 347 – Waste Management – General ▪ Waste Management – PCBs Regulation (Regulation 362) Waste Diversion Act, 2002 Waste Management Act Planning Act Greenbelt Act, 2005 Nutrient Management Act Oak Ridges Moraine Conservation Act, 2001 Places to Grow Act, 2005 Aggregate Resources Act Mining Act Oil, Gas and Salt Resources Act
Quebec	Mining Act
Nova Scotia	Asbestos Waste Management Regulations, PCB Management Regulations, Wilderness Areas Protection Act, Petroleum Management Regulations, Energy Resources Conservation Act
New Brunswick	Topsoil Preservation Act, Petroleum Product Storage and Handling Regulation, Regional Solid Waste Commissions Regulation, Energy Conservation Act, Mining Act, Oil and Natural Gas Act
Manitoba	Natural Resources Act, Waste Reduction and Prevention Act, Habitat Heritage Act, Natural Resources Transfer Act
British Columbia	Environment and Land Use Act, Contaminated Sites Regulation, Special Waste Regulation, Waste Discharge Regulation, Hazardous Waste Regulation, Forest Act, Forest and Range Practices Act
Prince Edward Island	Oil and Natural Gas Act
Alberta	Release Reporting Regulation, Release Regulation, Waste Control Regulation, Conservation and Reclamation Regulation, Coal Conservation Act, Energy Resources Conservation Act, Oil and Gas Conservation Act, Oil Sands Conservation Act, Pipeline Act

Saskatchewan	Environmental Spill Control Regulations, Hazardous Substances & Waste Dangerous Goods Regulations, Mineral Industry Environmental Protection Regulations, Conservation and Development Act, Oil and Gas Conservation Act
Newfoundland and Labrador	Well Drilling Regulations, Waste Management Regulations, Waste Reduction and Recovery Act
Northwest Territories	Forest Protection Act, Waste Reduction and Recovery Act
Yukon	Oil and Gas Act, Yukon Surface Rights Board Act

Laws impacting trade

CANADA-CHILE FREE TRADE AGREEMENT IMPLEMENTATION ACT
NORTH AMERICAN FREE TRADE AGREEMENT IMPLEMENTATION ACT
WILD ANIMAL AND PLANT PROTECTION AND REGULATION OF INTERNATIONAL AND INTERPROVINCIAL TRADE ACT