

# Blakes Bulletin

## International Trade & Investment

### Canadian International Trade and Investment Priorities: Budget 2010 and the Throne Speech

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On March 4, 2010, the federal government announced its budget for 2010 (Budget 2010). Several of the measures proposed by the government relate to international trade and investment. Included in the budget are commitments to eliminate a large number of custom tariffs on manufactured goods, to continue the negotiation of international trade and investment agreements, to enhance border efficiency, and to fund specific industries to assist their position in the international market. In addition, the Speech from the Throne (Throne Speech), which outlines the government's agenda for the coming year and issued the day immediately prior to Budget 2010, made several references to international trade and investment-related matters, not all of which were mentioned in Budget 2010, but which nevertheless indicate policy directions the government will take.

#### TARIFF REDUCTION FOR MANUFACTURERS

In Budget 2010, the government commits to eliminating remaining customs tariffs on machinery, equipment, and goods imported for further manufacturing in Canada. This commitment is expected to reduce both cost and paperwork for manufacturers. 1,160 such tariffs were eliminated as of March 5, 2010 and a further 381 are to be gradually eliminated by January 1, 2015. The government claims that this elimination will cause Canada to become a "tariff free zone for manufacturers" and will liberalize C\$5-billion of imports. Moreover, the government expects that these tariff eliminations will save Canadian manufacturers C\$300-million annually in duty and create 12,000 jobs.

#### INDUSTRY-SPECIFIC MEASURES

In Budget 2010, the government has pledged C\$7.2-million to Fisheries and Oceans Canada to support the new Catch Certification Office which, similar to an

already existing program in the European Union, will issue export permits to Canadian exporters to certify to international buyers that fish and seafood products have been legally harvested in Canada.

Budget 2010 pledges C\$75-million over the next three years to the cattle processing industry to facilitate the purchase of new, cost-effective equipment for use in cattle processing plants. More than half of that amount is to fund the development and commercialization of technologies for the removal of specific risk materials, and the subsequent use and handling of those materials.

The Throne Speech commits the government to assist the forestry industry to develop new markets and to continue to support the supply management (the management of price through production and import controls) of poultry and dairy products.

Foreign ownership restrictions on Canadian satellites are to be removed. The government believes this will contribute to a competitive Canadian marketplace and will encourage foreign investment. The government further claims that the removal of barriers to foreign ownership will allow Canadian business to establish "strategic global relationships" and consequently to participate more fully in foreign markets. In the Throne Speech, the government suggests that foreign ownership restrictions in the uranium industry would also be reduced. However, no further detail is provided in Budget 2010.

Finally, Budget 2010 provides C\$8-million over two years to the International Science and Technology Partnerships Program. This program is to fund research and development projects jointly undertaken by Canada with such partners as China, India and Brazil.

#### BORDER EFFICIENCY

The efficiency and security of the Canadian border receives attention from the government in Budget 2010. Among the infrastructure projects to which the government commits funds, the Windsor-Detroit international crossing, a critical gateway to Canada-U.S. trade, will receive C\$10-million over the next three years.

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In addition, Budget 2010 commits C\$87-million over the coming two years to more general border efficiency endeavours, such as the upgrade of vehicle and cargo scanning equipment and the upgrade of information systems used in border service operation. To maximize the flow of goods across the border to the U.S., while protecting national security against the threat of terrorism, the government also commits to more effective co-ordination of the Partners in Protection and NEXUS programs with U.S. authorities, and to ensuring that fees "more closely reflect costs." To similar purpose, Budget 2010 provides C\$37.9-million over the next two years to developing a "comprehensive air cargo security program" in conjunction with Canada's major trading partners.

### INTERNATIONAL AGREEMENTS

Budget 2010 contains some limited discussion of Canada's ongoing negotiation of international trade and investment agreements. While Budget 2010 stresses Canada's intention to push forward in the Doha Round of WTO negotiations, in the Throne Speech the government expresses disappointment with the results of those negotiations. In consequence, the government has committed to pursuing bilateral free trade agreements, such as the Comprehensive Economic and Trade Agreement which is currently being negotiated with the European Union, and exploratory talks with India, as well as implementing recently concluded agreements with Colombia, Panama and Jordan. Similarly, the Throne Speech commits to implementing free trade agreements that have been completed with Peru and the European Free Trade Association.

The Throne Speech further suggests that the government will continue to build on the procurement agreement recently completed with the U.S., giving Canadian suppliers access to U.S. state and local government procurements, though no further mention is made of this in Budget 2010. The government also announced an investment of C\$8-million per year on an ongoing basis towards the environmental restoration of the Great Lakes, pursuant to Canada's obligations under the *Canada-United States Great Lakes Water Quality Agreement*.

### CONCLUSION

Budget 2010 and the Throne Speech propose a number of changes to laws affecting international trade and investment, such as the elimination of tariffs on importation of machinery for manufacturing in Canada and focused bilateral free trade agreements with key markets. As details of implementation of these government priorities emerge, prudence suggests a critical and close watch on how the government proposes to act on its international trade and investment agenda and what laws and regulations it intends to put in place to breath life into its agenda. Given the dollar cost and benefit impact of these items, strategic intervention during the policy and legal implementation of the priorities may be warranted.

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