



EUROPEAN PARLIAMENT

**DIRECTORATE-GENERAL FOR EXTERNAL POLICIES OF THE UNION
DIRECTORATE B
- POLICY DEPARTMENT -**

NOTE

**on the political and economic situation of
CANADA
and on EU-Canada relations**

Abstract: *In preparation for the delegation visit to Canada planned for 27 to 31 October 2008, this note provides an overview of Canada's political structure, foreign policy stance and economic situation, as well as of bilateral relations with the European Union.*

An update on the political outlook will be provided after the general elections of 14 October.

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1. DOMESTIC POLITICS

1.1. Historical background

The first permanent European settlement in Canada was established by the French early in the 17th century. Following the Seven Years' War (1756-1763), the territory fell to Britain, whose colonial rule continued until the mid-19th century. It has been largely independent from London since 1867, when the four founding provinces were declared to be "One Dominion under the Name of Canada". However, English-speaking Canada felt obliged to support British strategic interests in the 20th century and Canada entered each of the world wars immediately on the UK's entry. This feeling was not shared by most French Canadians, who resented conscription, and Canada's participation in the wars was a catalyst for Canadian nationalism, which translated, among other things, into a desire to conduct foreign policy independently while remaining in the British Commonwealth. Canada joined the League of Nations and later the United Nations.

Canada's economic history during the inter-war period largely followed the pattern in the US. Severe post-war recession during the early 1920s was followed by economic revival during the mid- to late 1920s and then a decade-long depression during the 1930s. This led to the foundation and rapid growth, mainly in western Canada, of two populist political parties, Social Credit and the Co-operative Commonwealth Federation (CCF). The socialist CCF was the antecedent of today's New Democratic Party (NDP), which has governed in some provinces, but never federally.

Again like the US, Canada enjoyed a high level of prosperity during the post-war period and a surge in fertility known as the "baby boom". The transition through the life-cycle of this bulge in the population, combined with large immigration inflows mainly from Europe and Asia, was the most significant demographic phenomenon of the post-war period. During the 1980s and 1990s middle-aged baby boomers turned the nation's politics generally towards the right, although Canadians remain strongly attached to the social safety-net put in place over the years.

During the post-war period, the economic and social affinities of Canadians gradually shifted from the UK to the US, and more recently to Asia, albeit to a lesser extent. This happened quite naturally as the US became the world's dominant economy and military power, and also because immigration made Canada far less of an Anglo-Celtic country than it had been. During the two decades after the Second World War immigrants came almost entirely from continental Europe; since the early 1980s more than one-half of all immigrants to Canada have come from Asia.

Among political milestones of the past decades were the referendum on sovereignty in Quebec, defeated 60:40 by the staunch federalism of Liberal PM Pierre Elliott *Trudeau* (1968-1984), who then negotiated for the authority to change the Canadian constitution, until then still with the British Parliament, to be taken over by the Canadian political institutions, and enacted a Charter of Rights and Freedoms. This was achieved without the consent of the Quebec government however, which remains the only province not to have signed the Constitutional Act of 1982, and continues to be a source of resentment for Quebec's citizens.

Progressive Conservative PM Brian Mulroney (1984-1993), a Quebec lawyer, signed a free-trade agreement with the US in 1988 despite strong opposition, which was later extended to Mexico in the North American Free Trade Agreement (NAFTA) in 1994. The Liberals won the

1993 election led by Jean *Chrétien* (PM 1993-2006), who had held nine different ministerial posts in Liberal governments of the 1970s and 1980s. His government ended deficit spending, but Mr Chrétien backed away from his pledge to renegotiate NAFTA and to replace the General Services Tax (GST) introduced by his predecessor, which continues to rankle with Canadians. Mr Chrétien never received high personal popularity ratings, but the Liberals were returned to office in elections in 1997 and 2000, helped by a revived economy, balanced federal budgets engineered by the finance minister, Paul *Martin* (who succeeded Chrétien as PM 2003-2006), and a divided opposition: The combined vote of the Progressive Conservatives and Canadian Alliance (a new name for the Reform Party) exceeded support for the Liberals in several dozen constituencies in 2000, but the split between the two right-wing groups gave victory to Liberal candidates.

1.2. Constitutional Context

Canada is a federal state with ten provinces and three territories. It is formally a *constitutional monarchy*, with the British monarch, Queen Elizabeth II, as the head of state. She is represented in Canada by the governor-general, Michaëlle Jean, who was appointed in 2005 on the recommendation of the prime minister. In practice, the monarch and the governor-general have only nominal powers, and the political system is a parliamentary democracy.

The country's legislature is the *bicameral federal parliament*: The *House of Commons* consists of 301 members, elected in individual constituencies under universal suffrage by all citizens over the age of 18. The Senate of 112 members, appointed by the prime minister, has the power to delay legislation.

Cabinet is headed by the prime minister, drawn almost invariably from the House of Commons. Following a general election on January 23rd 2006, the Conservative Party formed a minority government led by Stephen Harper, ending more than 12 years of rule by the Liberal Party. The *next election* is scheduled for *14 October 2008*.

At the provincial level, there are unicameral legislative assemblies of varying size in each of the ten provinces; the executive is nominally headed by a lieutenant-governor, appointed by the Crown, who has little effective power.

1.3. Political parties

The party currently in government, the *Conservatives* (or Tories), was formed in December 2003 out of a merger between the Progressive Conservatives, whose strongest support base was in Ontario and Atlantic Canada, and the Canadian Alliance, whose support rested almost entirely in the western provinces. The Conservatives and its predecessors have generally been viewed as a right-wing party, despite the inclusion of some high-profile moderate politicians, known as "Red Tories". Mr Harper, the first leader of the new party, has sometimes struggled to articulate objectives that satisfy both the hard-core right-wingers of the Alliance and the soft conservatism of the Progressive Conservatives.

The *Liberal Party* is the other major party in Canadian politics. In recent decades the party has been in government more often than the Conservatives, most recently from 1993 to early 2006. It generally seeks to represent the political centre, but leans to the left particularly on social issues. It has been led since December 2006 by Stéphane Dion and one of his key concerns is environmental protection. As such, he is a strong defender of the Kyoto Protocol on global warming.

The *New Democratic Party* (NDP), on the left wing in Canadian politics, has attained office at the provincial level but has never come close to ruling federally. Its support has come mainly from committed socialists and members of trade unions, but the appeal of socialism has steadily declined in recent decades. Also, worker support is less certain for the NDP than in the past, because union representation in the private sector has steadily dropped, and political views among Canadians have nudged to the right. The NDP would extend Canada's social programmes and redistribute wealth through the tax system, but it no longer advocates proposals such as nationalising some types of economic activity such as, for example, transport.

The *Bloc Québécois* (BQ) is a notable curiosity in Canadian politics—a federal party that contests seats only in the province of Quebec, and which claims to represent only the interest of the province and its citizens and not all Canadians in parliament. Like its provincial ally, the Parti Québécois (PQ), the BQ is at the left of the political spectrum and in recent years has played down its commitment to sovereignty, focusing instead on social and economic issues. This may change if the PQ is restored to provincial rule—the Liberals have held power in Quebec since 2003—and sovereignty once again becomes an objective.

The *Green Party*, which is not yet represented in parliament, focuses on environmental issues and has recently been gathering significant support in polls.

1.4. Recent developments

After more than 12 years of Liberal Party rule, several developments between 2002 and early 2004 weakened the party's grip on power. At the same time, the two right-wing opposition parties, the Canadian Alliance and the Progressive Conservatives, merged in late 2003 to form the *Conservative Party of Canada* and present a unified opposition to the Liberals. Stephen Harper, head of the Alliance, became leader of the Conservatives in March 2004, but faced an uphill struggle to broaden the party's support base. Elections in June 2004 once more returned a Liberal (though minority) government, because ultimately, many voters were worried about Mr Harper's supposedly "hidden" right-wing agenda.

Public confidence was further eroded by a public funding scandal however, and in January 2006, early elections brought the Conservatives into government, albeit also in a "larger minority" situation. Thus far, the Tories have stayed closer to the centre of the political spectrum as they seek to leverage their minority government into a majority. *Prime Minister Harper* has however adopted more right-wing policies on issues like gun control, in efforts to gain support in western Canada and in rural areas. The Conservatives have also moved to improve relations with the US government, signalled their waning interest in the Kyoto Protocol on climate change, and increased military spending.

One important objective of the latter expenditure is renew the country's navy, in order to strengthen Canada's presence in the *Arctic*, especially disputed areas of the Northwest Passage that are expected to gain in importance as global warming opens the route to commercial shipping. The government earlier announced plans for a deep-sea port at Nanisivik in the high Arctic, an Arctic military training facility in Resolute Bay and new icebreakers.

In a much-publicised move of reconciliation towards Canada's aboriginal "*First Nations*", on 11 June 2008 PM Harper made an official apology in the House of Commons for Canada's former policy of forcing tens of thousands of aboriginal children to attend state *residential schools*. A

previous Liberal government first acknowledged the issue in 1998, when the then-Indian affairs minister "expressed regret". The Canadian authorities subsequently paid over 1 billion Canadian dollars in compensation to victims. Ottawa is now expected to spend much more, and has established a five-year commission that will hold hearings on the matter across the country. Opposition parties strongly backed the apology, but suggested that the government might have gone further to aid victims (see Annex II for details).

Based on polls which showed gains for the Conservatives since spring, while Liberals and Bloc Québécois were losing momentum, on 7 September 2008 PM Harper asked Governor-General Jean to dissolve Parliament and call ***elections for 14 October***. At dissolution, the Conservatives held 127 seats in the House of Commons, the Liberals 95, the Bloc 48, and the leftist New Democratic Party (NDP) 30. (There were also three independents and five vacant seats).

According to the latest polls, Prime Minister Stephen Harper's ***Conservatives still look set to form the next government***, although they must improve their position in Quebec in order to capture a majority. The Liberals look weak across the board, which suggests that the party may face a painful reckoning after the election.

2. FOREIGN POLICY

Canada has good relations with the major multilateral, global organisations. Recognising that Canada's prosperity is largely dependent on international commercial relations, successive governments have worked to strengthen its representation and role within global organisations, such as the UN and World Trade Organisation (WTO). Canada is recognised for its leadership as a middle-tier power and its contribution to peace initiatives. Its only significant overseas deployment is in Afghanistan, but it also has a number of smaller operations, such as those in the Balkans and Haiti.

Given that Canada and the *United States* enjoy the world's largest bilateral trade flow (the US took nearly 80% of Canadian exports in 2007), relations with the US are of paramount importance. Canada did not join the US and British attack on Iraq in March 2003 in the absence of a UN mandate, and in 2005 refused to join the US in its anti-ballistic missile shield initiative. There have also been disputes involving softwood lumber and wheat trade, and a US unilateral imposition of border controls. However, the current administration has aimed to improve US relations and Mr Harper's commitment to maintaining the Canadian presence in Afghanistan has been received favourably in the US. In any case, past tensions do not significantly affect day-to-day affairs, and both countries co-operate actively across a broad front on trade, security, defence and technical issues.

Canada is maintaining a strong and *frontline presence in Afghanistan*. Canada has more than 2,500 troops in Afghanistan, as part of NATO's International Security Assistance Force (ISAF). The Canadians are in the forefront of actions against the Taliban and by August 2008 had suffered 90 fatalities. Despite these setbacks, the Conservatives won parliamentary approval earlier this year to extend the mission in Afghanistan until early 2009, but rising casualties and public confusion about the purpose of the mission have raised doubts about Canada's role.

The summer Olympic Games in Beijing have highlighted the Conservative government's *ambiguous relations with China*: Until recently, the Tories have appeared to give higher priority to their distaste for China's human-rights record than the promotion of commercial ties. Mr Harper did not attend the games' opening ceremonies, sending instead the new foreign affairs minister, David Emerson. The Conservatives have taken a far more critical stance towards China than their Liberal predecessors, prompted partly by a *strong pro-Taiwan group* within the Tory caucus. Mr Harper has not visited China since the Tories took office in early 2006. China has responded by snubbing Canadian officials on numerous occasions and by refusing to classify Canada as an "approved destination" for Chinese tourists. The frosty relations have unsettled Canadian business leaders because, although bilateral trade has grown, Canada's share of the Chinese market has declined. Recently however, there have been signs of a desire for rapprochement: The Canadian government's criticism of the crackdown in Tibet was relatively restrained. Mr Emerson, who speaks Mandarin and is a former chief executive of one of Canada's biggest forest-products exporters, strongly supports closer ties.

Elsewhere, the Conservatives' principled criticism against some foreign governments, no matter how powerful, was underlined again in mid-August when Mr Harper denounced *Russia's* military incursion into Georgia, threatening even to put on hold a recently-signed deal giving Gazprom access to the North American market through a terminal in Québec.

3. ECONOMIC POLICY

3.1. Economic structure

The three Prairie Provinces and Prince Edward Island rely more on primary agriculture than the rest of Canada, but forestry and mining are important to almost all the provinces and especially British Columbia and Quebec. Oil and gas are abundant in western Canada, particularly Alberta, and in a handful of Atlantic offshore fields. Rivers are a major source of hydroelectricity in British Columbia, Manitoba and Quebec. The federal and provincial governments by law maintain 12% of Canada's land and water as national parks, provincial parks, wildlife or ecological reserves. There are a number of government-sponsored recycling and nature-restoration schemes to slow the depletion of natural resources.

Although natural resources played a decisive role in the development of Canada, its economy is well diversified today, with the services sector accounting for more than 70% of output and providing employment for nearly three-quarters of the working population. By contrast, primary sectors—including agriculture, forestry and mining, and oil and natural gas—accounted for only 7% of GDP in 2007, whereas the share of manufacturing accounted for 15.1%. Natural resources are of minor importance in some provinces, such as Ontario, but very significant in others, such as British Columbia and Alberta. Moreover, they are an important component of Canadian trade, accounting for roughly one-half of the value of total exports.

3.2. Growth prospects

Corporate Canada has performed well in recent years, and pre-tax corporate operating profits increased by more than one-half between 2001 and 2008. However, this conceals considerable differences between industries: gains have been strongest in mining, wholesale and retail trade, while returns to manufacturing have stagnated. The aggregate improvement in profits is a reflection of the overall good health of the domestic economy, which grew by an average of 2.6% in real terms between 2001 and 2008, but the contrasting results of the mining and manufacturing sectors show how the strengthening Canadian dollar (which appreciated by nearly 60% between 2002 and 2007) has helped some sectors and hurt others. At the national level, the majority of expenditure is made by private consumers, boosted by a combination of the strong currency and wage growth, which have fuelled consumer demand. Investment spending has grown in importance, because of funds pouring into the extraction of natural resources in western Canada.

The damage recently wrought on Canada by the weakening US economy is now being compounded by the sudden slide in commodity prices. The silver lining, however, is an equally abrupt drop in the Canadian dollar, which is likely to cushion the impact of both developments on future economic growth. Growth in the 12 months to May was a modest 0.6%. Surprisingly, the energy sector has been one of the weakest spots. Natural gas output, in particular, has sagged over the past year as easily accessible deposits are being depleted and recovery costs have risen sharply. The Economist Intelligence Unit has accordingly revised its growth forecast for 2008 to 1.0%, with an estimate of 0.9% for 2009.

3.3. Fiscal and monetary stance

Preliminary data for the federal budget for fiscal year 2007/08 (April-March), published at the end of May, showed a surplus of C\$10.2bn (US\$9.5bn), hitting the target of last year's budget forecast exactly but down from C\$13.8bn in 2006/07. This deterioration was expected to continue in the budget proposal published in February this year, which projected a surplus of C\$2.3bn in 2008/09 and C\$1.3bn in 2009/10, but these forecasts were based on GDP growth assumptions of 1.7% in 2008 and 2.4% in 2009, which now look optimistic. The general government surplus, comprising federal, provincial and local government accounts and social insurance funds, averaged around 0.6% of GDP in 2007/08, but is set to deteriorate in 2008/09 as the economy weakens.

The recent turmoil in global financial markets, which has damaged developed world economies, has also affected Canada. The Canadian dollar appreciated sharply against the US dollar in 2007 and had remained near parity in the first half of 2008. The currency's strength has damaged Canadian export competitiveness, but its appreciation has eased inflationary pressure by making imports cheaper. This has kept core inflation subdued, and the Bank of Canada (BOC, the central bank) has been able to loosen monetary policy considerably. However, on June 10th the central bank declined to cut rates further, citing increased inflationary pressure from high fuel costs. This surprised the markets, given recent weak output data, but the decision has since been vindicated by a jump in inflation in June, with prices rising by 3.1% year on year, well above the 2% mid-point of the central bank's target range.

4. EU-CANADA RELATIONS

4.1. Background

Canada is one of the European Union's oldest and closest partners. What started out in the 1950s as a purely economic relationship has evolved over the years to become a close strategic alliance. The EU and Canada now work together on a great range of diverse issues ranging from research into alternative energy sources to providing police officers for Bosnia. European and Canadian leaders meet regularly at bilateral summits to exchange views on a wide range of issues.

At the Ottawa Summit on 18 March 2004 the EU and Canada adopted a *Partnership Agenda* which builds on an established record of economic and political co-operation between the EU and Canada. It identifies ways of working together to move forward on issues of mutual interest, especially where joint action can achieve more than both sides acting alone:

- In foreign and security policy, the EU and Canada draw on a shared commitment to effective multilateral institutions and effective global governance to project our common values on the world stage, for example by working together for the full establishment of the jurisdiction of the International Criminal Court.
- In the field of justice and home affairs both sides work to assure the security and protect the rights of their citizens. For example, both sides work to make air travel more secure by exchanging information to identify potential threats, while safeguarding the privacy of their citizens.
- The EU and Canada are both committed to reinvigorating global economic growth through a successful round of multilateral trade talks. They also embark on a new type of trade agreement, a Trade and Investment Enhancement Agreement, to eliminate regulatory obstacles and to make it easier to trade and invest in each other's markets.
- Together, the EU and Canada will tackle global challenges including climate change, and poverty in developing countries. For example, the EU and Canada work together to give people in the world's poorest countries access to affordable medicines and to help alleviate the suffering caused by infectious diseases including the HIV/AIDS epidemic.

The Partnership Agenda acknowledges the great changes that have taken place in EU-Canada relations as a result of developments in the EU. With the creation of the European Single Currency, the establishment of an EU Foreign and Security Policy, and an increasingly active role in the field of Justice and Home affairs, the EU has grown far beyond the economic organisation it was when the relationship with Canada was first formalised in 1976. Canada recognises that the EU is now a major global actor, not least in global institutions such as the United Nations and the G8. With its enlargement to 12 new members on 1 January 2007, and its new Constitutional Treaty underway, the EU continues to evolve rapidly.

The political relationship between the EU and Canada is characterised by a high degree of consensus on many of the issues facing the international community. This is demonstrated by the remarkably similar voting patterns enjoyed by the EU and Canada in the United Nations. The EU and Canada work closely together in confronting challenges to regional stability, e.g. in Afghanistan and Sudan, and most recently off the coast of Somalia.

4.2. Economic relations

The economic partnership between the EU and Canada dates back to 1959, when Canada accredited its first Ambassador to the European Economic Community (EEC). Under the **1976 Framework Agreement for Commercial and Economic Co-operation**, Canada and the EEC committed “to develop and diversify their reciprocal commercial exchanges and to foster economic co-operation.” Since then, the EU and Canada have concluded several agreements covering a wide range of economic activities ranging from fisheries and wines and spirits to veterinary issues, atomic energy and nuclear research as well as customs co-operation.

In 2005, trade in merchandise between the EU 25 and Canada accounted for € 40.9 billion, trade in services between Canada and the EU 25 amounted to € 15 billion in 2004. EU-Canada investment in the same year was worth € 145 billion. After the United States, the EU is Canada’s most important trading partner, while Canada ranks 9th among the EU’s trading partners (see Annex III). The EU is also the second investor in Canada (after the US), while Canada is the fourth investor in the EU (after the US, Switzerland and Japan).

In order to build on these strong economic ties, the EU and Canada are working on a new bilateral **trade and investment enhancement agreement (TIEA - see Annex IV for details)**. This agreement will address new challenges and opportunities for trade and investment between two open and developed economies in the 21st century. In particular, it will tackle the significant impact of regulatory barriers in bilateral trade and investment and pay due consideration to the increasingly prominent role of investment in the bilateral relationship.

The TIEA will also reinforce the well-established partnership between the EU and Canada in the pursuit of common objectives, notably to liberalise trade based on a strong multilateral rules-based system. It will also reflect the partners' shared commitment to promote sustainable development, cultural diversity, and co-operation in the field of science and technology.

4.3. Inter-parliamentary relations

The Canada Delegation is one of the oldest delegations established by the EP, having held its first meeting in March 1975. The annual meetings have generally underlined the excellent state of relations between the EU and Canada. In recent meetings, a parallelism was to be noted in discussions concerning EU institutional developments and the constitutional debate in Canada, both sides showing interest on questions of sovereignty and subsidiarity.

The most recent meetings were characterised by the wide breadth of topics discussed. Asylum and immigration policies, climate change, forestry, biotechnology, GMOs, and security issues formed the backbone of the bilateral agenda and the basis of a constructive dialogue. In general, both sides showed a broad agreement on multilateral approaches to global challenges. Bilaterally, the Delegation expressed particular support for the TIEA negotiations, as well as studies aimed at exploring possibilities for an integrated "Transatlantic market".

Among the more delicate issues were problems linked to fisheries and animal welfare (and, in particular, seal hunting and the trade in seal products).

ANNEX I - MAP OF CANADA



ANNEX II - BACKGROUND ON INDIAN RESIDENTIAL SCHOOLS

In the 19th century, the Canadian government believed it was responsible for educating and caring for the country's aboriginal people. It thought their best chance for success was to learn English and adopt Christianity and Canadian customs. Ideally, they would pass their adopted lifestyle on to their children, and native traditions would diminish, or be completely abolished in a few generations.

The Canadian government developed a policy called "aggressive assimilation" to be taught at church-run, government-funded industrial schools, later called residential schools. The government felt children were easier to mould than adults, and the concept of a boarding school was the best way to prepare them for life in mainstream society. Residential schools were federally run, under the Department of Indian Affairs. Attendance was mandatory. Agents were employed by the government to ensure all native children attended.

Initially, about 1,100 students attended 69 schools across the country. In 1931, at the peak of the residential school system, there were about 80 schools operating in Canada. There were a total of about 130 schools in every territory and province except Newfoundland, Prince Edward Island and New Brunswick from the earliest in the 19th century to the last, which closed in 1996. In all, about 150,000 aboriginal, Inuit and Métis children were removed from their communities and forced to attend the schools.

Residential schools were established with the assumption that aboriginal culture was unable to adapt to a rapidly modernizing society. It was believed that native children could be successful if they assimilated into mainstream Canadian society by adopting Christianity and speaking English or French. Students were discouraged from speaking their first language or practising native traditions. If they were caught, they would experience severe punishment.

Throughout the years, students lived in substandard conditions and endured physical and emotional abuse. There are also many allegations of sexual abuse. Students at residential schools rarely had opportunities to see examples of normal family life. They were in school 10 months a year, away from their parents. All correspondence from the children was written in English, which many parents couldn't read. Brothers and sisters at the same school rarely saw each other, as all activities were segregated by gender.

When students returned to the reserve, they often found they didn't belong. They didn't have the skills to help their parents, and became ashamed of their native heritage. The skills taught at the schools were generally substandard; many found it hard to function in an urban setting. The aims of assimilation meant devastation for those who were subjected to years of mistreatment.

The Truth and Reconciliation Commission

The Indian Residential Schools Truth and Reconciliation Commission was established June 1, 2008. It is a court-mandated Commission, which is the result of an agreement amongst residential school survivors and representatives of aboriginal people, churches and the government of Canada. The Commission is charged with the tasks of assisting Canadians to know and understand the truth of our Indian Residential School legacy and of promoting reconciliation through new relationships embedded in mutual recognition and respect.

Prime Minister Stephen Harper's statement of apology

Mr. Speaker, I stand before you today to offer an apology to former students of Indian residential schools. The treatment of children in Indian residential schools is a sad chapter in our history.

In the 1870's, the federal government, partly in order to meet its obligation to educate aboriginal children, began to play a role in the development and administration of these schools.

Two primary objectives of the residential schools system were to remove and isolate children from the influence of their homes, families, traditions and cultures, and to assimilate them into the dominant culture.

These objectives were based on the assumption aboriginal cultures and spiritual beliefs were inferior and unequal.

Indeed, some sought, as it was infamously said, "to kill the Indian in the child."

Today, we recognize that this policy of assimilation was wrong, has caused great harm, and has no place in our country.

Most schools were operated as "joint ventures" with Anglican, Catholic, Presbyterian or United churches.

The government of Canada built an educational system in which very young children were often forcibly removed from their homes, often taken far from their communities.

Many were inadequately fed, clothed and housed.

All were deprived of the care and nurturing of their parents, grandparents and communities.

First Nations, Inuit and Métis languages and cultural practices were prohibited in these schools.

Tragically, some of these children died while attending residential schools and others never returned home.

The government now recognizes that the consequences of the Indian residential schools policy were profoundly negative and that this policy has had a lasting and damaging impact on aboriginal culture, heritage and language.

While some former students have spoken positively about their experiences at residential schools, these stories are far overshadowed by tragic accounts of the emotional, physical and sexual abuse and neglect of helpless children, and their separation from powerless families and communities.

The legacy of Indian residential schools has contributed to social problems that continue to exist in many communities today. It has taken extraordinary courage for the thousands of survivors that have come forward to speak publicly about the abuse they suffered.

It is a testament to their resilience as individuals and to the strength of their cultures.

Regrettably, many former students are not with us today and died never having received a full apology from the government of Canada.

The government recognizes that the absence of an apology has been an impediment to healing and reconciliation.

Therefore, on behalf of the government of Canada and all Canadians, I stand before you, in this chamber so central to our life as a country, to apologize to aboriginal peoples for Canada's role in the Indian residential schools system.

To the approximately 80,000 living former students, and all family members and communities, the government of Canada now recognizes that it was wrong to forcibly remove children from their homes and we apologize for having done this.

We now recognize that it was wrong to separate children from rich and vibrant cultures and traditions, that it created a void in many lives and communities, and we apologize for having done this.

We now recognize that, in separating children from their families, we undermined the ability of many to adequately parent their own children and sowed the seeds for generations to follow, and we apologize for having done this.

We now recognize that, far too often, these institutions gave rise to abuse or neglect and were inadequately controlled, and we apologize for failing to protect you.

Not only did you suffer these abuses as children, but as you became parents, you were powerless to protect your own children from suffering the same experience, and for this we are sorry.

The burden of this experience has been on your shoulders for far too long.

The burden is properly ours as a government, and as a country.

There is no place in Canada for the attitudes that inspired the Indian residential schools system to ever again prevail.

You have been working on recovering from this experience for a long time and in a very real sense, we are now joining you on this journey.

The government of Canada sincerely apologizes and asks the forgiveness of the aboriginal peoples of this country for failing them so profoundly.

We are sorry.

In moving towards healing, reconciliation and resolution of the sad legacy of Indian residential schools, implementation of the Indian Residential Schools Settlement agreement began on September 19, 2007.

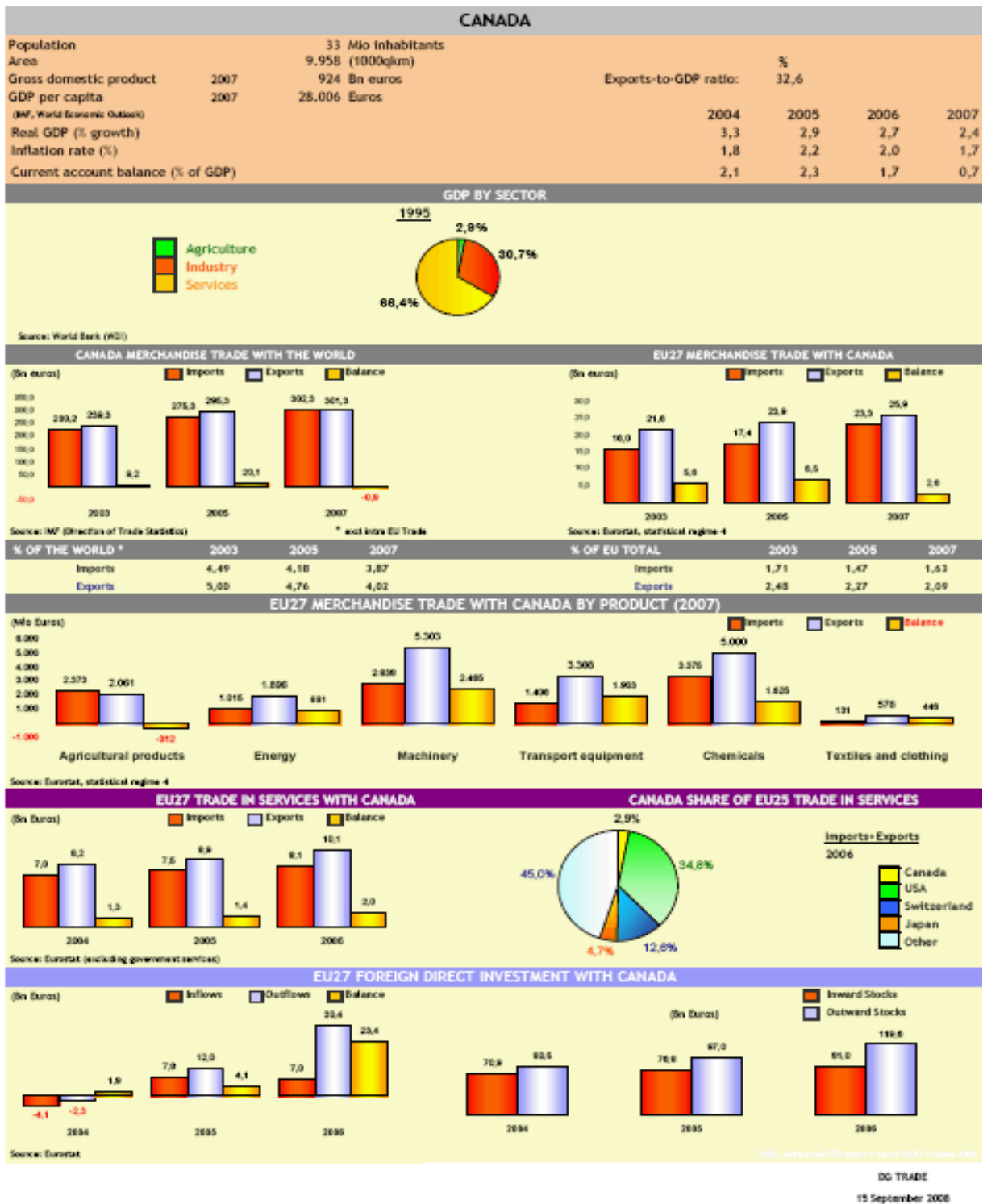
Years of work by survivors, communities, and aboriginal organizations culminated in an agreement that gives us a new beginning and an opportunity to move forward together in partnership.

A cornerstone of the settlement agreement is the Indian Residential Schools Truth and Reconciliation Commission.

This commission presents a unique opportunity to educate all Canadians on the Indian residential schools system.

It will be a positive step in forging a new relationship between aboriginal peoples and other Canadians, a relationship based on the knowledge of our shared history, a respect for each other and a desire to move forward together with a renewed understanding that strong families, strong communities and vibrant cultures and traditions will contribute to a stronger Canada for all of us.

ANNEX III - TRADE STATISTICS



Source: European Commission, DG Trade, September 2008

CANADA-EUROPEAN UNION TRADE AND INVESTMENT ENHANCEMENT AGREEMENT: Framework for the Agreement

Introduction

Following the instructions given by Leaders at the Canada-EU Summit in Ottawa on 19 December 2002 to “design a new type of forward-looking, wide-ranging bilateral trade and investment enhancement agreement (TIEA)”, negotiations on the TIEA started on 17-18 May 2005 in Brussels.

The TIEA builds on the long and fruitful co-operation established under the 1976 Framework Agreement for Commercial and Economic Co-operation, the 1996 Joint Action Plan and the 1998 EU-Canada Trade Initiative, as well as the various bilateral sectoral agreements concluded between the Parties, most recently the Agreement on Trade in Wines and Spirits Drinks signed in Niagara on 16 September 2003. The TIEA is aimed at further developing existing co-operation where it has proved successful while providing a general framework for bilateral trade and investment relations.

Through the TIEA, Canada and the EU also seek to address new challenges and opportunities for trade and investment between two open and developed economies in the XXI century. This implies addressing the significant potential impact of regulatory barriers and the increasingly prominent role of investment in the bilateral economic relationship. Regulatory cooperation will therefore be an important element of the TIEA in so far as cooperation in this field will allow the EU and Canada to work jointly to prevent and eliminate unnecessary barriers to trade and investment while ensuring better quality and efficiency of regulations to achieve legitimate policy objectives.

The TIEA will also reinforce the Canada-EU partnership in the pursuit of common objectives, notably our shared commitment to promote sustainable development, cultural diversity, and science and technology linkages.

In addition to contributing to the enhancement of the bilateral trade and economic relationship, the TIEA should support and contribute to multilateral trade negotiations, to which the EU and Canada remain highly committed. Therefore, for those issues covered by the World Trade Organization (WTO) Doha Ministerial Declaration, bilateral co-operation under the TIEA will take place without prejudice to on-going WTO negotiations.

Canada and the EU agree to intensify discussions based on the design of the TIEA with the aim of further clarifying the scope of the Agreement and explore the potential for co-operation in any other areas. The agreement should provide an opportunity for review in light of any future multilateral/regional/bilateral trade agreements negotiated by the Parties.

Scope and Objectives of the TIEA

1. Regulatory Co-operation

The EU and Canada, as reflected in the EU “Better Regulation Package” and the Canadian “Smart Regulation Initiative”, respectively, are committed to ensuring high levels of protection for their citizens and for the environment, while ensuring transparency, performance and cost-effectiveness of regulations. In this context, the EU and Canada recognise the value of regulatory co-operation, developed within the frame of their domestic procedural and substantive obligations, in order to promote information exchange and expand mutual knowledge of regulatory practices, including enhanced use of best practices, improve the effectiveness of regulatory initiatives and facilitate trade and investment.

The EU and Canada agree to work towards removing obstacles to trade and investment through adequate mechanisms, including, where appropriate, the reduction of unnecessary regulatory differences, so as to facilitate trade while ensuring quality and effectiveness of regulations.

Consequently, regulatory co-operation should have a central role in the future agreement while respecting both Parties' rights and obligations under the WTO Agreements or any other international agreements to which each may be a Party, including the right to determine the appropriate level of protection of public interests involved (inter alia, the prevention of deceptive practices, protection of human health or safety, animal or plant life or health, or the environment). Regulatory co-operation will also take into consideration

any other international initiatives on regulatory practices to which both Parties might subscribe, such as those developed in the Organisation for Economic Co-operation and Development (OECD).

At the December 2002 Summit in Ottawa, the EU and Canada agreed "to intensify our regulatory dialogue and work towards a new framework in this field". This Framework is now in place and forms the basis for the development of voluntary co-operation between EU and Canadian regulators competent in the sectors concerned.

The TIEA will consequently refer to the voluntary Framework as the instrument of regulatory cooperation for those areas within its scope. Other regulatory issues will be addressed according to the relevant sections of this document. With respect to the regulatory aspects of services, consideration will be given, if needed, to possible common elements with future developments arising from this section.

The TIEA may also establish a specific committee for purposes of follow up of progress made in the overall application of the voluntary Framework, address any issues arising, and make recommendations for future action, without prejudice to the operation of sectoral committees established under bilateral agreements (e.g. Joint Management Committee established under the Veterinary Agreement, and Joint Committee created under the Agreement on Trade in Wines and Spirits Drinks). In addition, the TIEA may establish more formalised co-operation mechanisms in those sectors identified by the respective competent regulators.

2. Services - Domestic Regulation

Canada and the EU agree to discuss issues related to domestic regulation, including transparency, to help facilitate services trade and enhance investment.

3. Mutual Recognition of Professional Qualifications

The EU and Canada agree to discuss issues related to mutual recognition of professional qualifications to help facilitate services trade and enhance investment.

4. Temporary Entry

Canada and the EU agree to discuss ways to improve access to information by business on their respective temporary entry regimes.

5. Financial Services

The EU and Canada agree to explore ways to facilitate bilateral trade in financial services, including the feasibility of facilitating market access by investment dealers to foreign stock exchanges, without prejudice to the fora or mechanism for advancing enhanced access.

6. E-Commerce

Canada and the EU agree to continue and reinforce co-operation on the basis of the 1999 Joint Statement on Electronic Commerce in the Global Information Society and the 2000 E-Commerce Work Plan, including new areas where Canada and the EU share common objectives. In particular, developments in sectors already identified in the current co-operation framework such as privacy, security and consumer protection should be taken into account, namely the fight against unsolicited communications (spam). This co-operation should take place, inter alia, bilaterally, in multilateral fora, or supporting and collaborating with the private sector and civil society.

7. Government Procurement

As reflected in the 1996 EU-Canada Joint Action Plan, the EU and Canada agree on the value of liberalising government procurement in terms of increased trade and investment. The potential benefits of liberalisation are increased in the perspective of the enlargement of the EU to 25 Members.

In this context, the EU and Canada agree to undertake negotiations with a view to achieving the greatest possible extension of their commitments under the WTO Agreement on Government Procurement (GPA) and eliminating any remaining discriminatory measures and practices.

The EU and Canada also agree to consider transparency rules for procurement not included in market access commitments and the need for simplified obligations for some entities or types of procurement.

The EU and Canada also agree to consider working together on the promotion of GPA membership, in particular amongst developing countries, and accelerating negotiations of those already committed to join the GPA.

8. Trade Facilitation

The TIEA should set out a joint commitment and establish a framework for Canada and the EU to progress

both bilaterally and multilaterally on trade facilitation.

The TIEA shall reflect a strong Canada-EU commitment to co-operate towards convergence of views and joint action in relevant multilateral organisations dealing with trade facilitation, notably in the WTO, the World Customs Organization (WCO), the United Nations (UN) and the United Nations Conference on Trade and Development (UNCTAD) and use appropriate elements from their bilateral relations as a point of reference in such multilateral discussions.

Co-operation pursuant to the TIEA should in particular focus on areas that can bring identifiable trade benefits to both Parties.

The following aspects of trade facilitation should be covered:

- The development and sharing of best practices in modern customs techniques: risk management; simplified procedures; the status of authorised trader; pre-arrival processing; post entry audit; and “single window” co-ordination of official controls;
- Promotion of common application of international rules, standards and guidelines in the field of customs and international trade, including simplification and harmonization of import and export data and, where possible, use of documentation and procedures that are in line with relevant international standards of the WCO, the UN and other organizations;
- Co-operation in the field of electronic data exchange with the aim of facilitating trade (e.g. in line with the results of the G7 initiative on trade facilitation), once Canada and the EU have completed their respective electronic data interchange systems;
- Ensuring that any measure on security takes account of trade facilitation, by aiming at greater transparency, proportionality, non-discrimination, and the reduction of barriers to legitimate trade;
- Consulting the trading community on its needs with regard to the development and implementation of trade facilitation measures, noting that particular attention should be given to the interests of small and medium enterprises;
- Exchange of information and best practices regarding the Parties' technical assistance policies and programmes in the field of trade facilitation; and
- Establishing a programme to develop future steps to facilitate trade.

Canada and the EU will make use of relevant co-operation mechanisms, notably those established under the 1997 Customs Co-operation Agreement and international organizations.

9. Investment

The EU and Canada agree to work to ensure that investment remains a dynamic feature of the bilateral relationship.

To this aim, the TIEA should include provisions aimed at facilitating two-way investment. This could be achieved through a work programme that may include elements to, inter alia:

- Establish a more systematic dialogue covering all investment-related issues;
- Carry out a more detailed assessment in consultation with stakeholders, including business, of factors influencing international investment in their respective jurisdictions, with a view to determining appropriate disciplines and instruments for improving the bilateral investment environment. This work would involve a consideration of existing investment obligations under the network of multilateral, plurilateral and bilateral investment rules currently in place between Europe and Canada;
- Continue co-operating in promoting the development of multilateral disciplines for investment;
- Explore the development of mechanisms that enhance transparency such as co-operation between appropriate Business Information Centres, electronic databases and web-portals with the aim to facilitate investment. This work would aim at providing both EU and Canadian companies interested in investing in the other Party's territory with specific and up-to-date information on the prevailing regulatory and business conditions; and
- Explore ways to promote investment, including through increased collaboration between Investment Promotion Agencies in EU Member States and Canada.

10. Competition

Canada and the EU recognize the importance of embracing the principles of competition so as to ensure the efficient functioning of their respective markets and that the benefits of the trade and investment liberalisation process are not diminished by anti-competitive conduct.

The TIEA should confirm the Parties' commitment for continued co-operation and co-ordination among competition authorities on the basis of the 1999 Competition Agreement.

Canada and the EU agree to co-operate on policy issues of common interest in relevant international fora.

11. Sustainable Development

Both the EU and Canada are active players on sustainable development issues (environmental, social and economic aspects) both domestically and internationally and recognise the important contribution that trade and investment policy can play in the development of those objectives.

Therefore, sustainable development should have a prominent place in the TIEA to ensure that enhanced trade and investment benefits sustainable development. The TIEA should contain a formal commitment to a high level of ambition in this field.

In addition, the proposed Agreement should establish a comprehensive EU-Canada dialogue on sustainable trade. This dialogue would offer a valuable opportunity to learn from each other's experiences on ways to ensure that trade and investment policies contribute to the objective of sustainable development.

The proposed EU-Canada dialogue should consist of exchanges of views and information on existing or future initiatives to further promote international sustainable trade, the identification of opportunities for bilateral co-operation on sustainable trade and investment initiatives; and a dialogue aimed at supporting multilateral initiatives and developing new ones (WTO, follow up to World Summit on Sustainable Development (WSSD), the OECD, the International Labour Organisation (ILO), etc.).

The EU and Canada could address, among other issues, the following:

- Environment: transfers of environmental friendly technologies, voluntary eco-labelling and certification, trade and environment technical assistance and capacity building.
- Corporate Social Responsibility (CSR) (as the contribution of the private sector to sustainable development): CSR and competitiveness; promoting the OECD Guidelines for Multinational Enterprises; exchange of best practices in promoting sustainability reporting and disclosure; exploring the impact and potential of socially responsible investing; and the role and contribution of Public authorities in support of CSR.
- Social Dimension of Sustainable Development: exchange of experiences and best practices of both the EU and Canada in their relations and agreements with third countries, for example on labour issues; co-operation between international institutions (ILO, WTO, etc.), including co-operation arising from the findings and recommendations of the ILO World Commission on the Social Dimensions of Globalisation.
- Sustainability and/or Environmental Impact Assessments of Trade Negotiations - process and methodology.

12. Intellectual Property Rights

Canada and the EU recognise that the protection of intellectual and industrial property rights is an important issue in terms of trade and investment and, therefore, agree to establish a bilateral dialogue in this area.

13. Science and Technology Co-operation

The EU and Canada recognise the important role of research and innovation in their economies and their shared goal of increased competitiveness.

An important role of scientific co-operation is to reinforce bilateral trade and investment relations through joint projects and investments, and to increase knowledge and information sharing in order to best contribute to the development of effective regulatory initiatives.

The EU and Canada agree, in the context of their 1996 Agreement for Scientific and Technical Co-operation, to identify, build on and enhance modalities for increasing science and technology collaboration, while working to make that collaboration relevant to trade, investment, regulation and broader policy. We likewise agree to identify and reduce barriers to co-operation.

14. Small- and Medium-Sized Enterprises

Canada and the EU agree to explore ways to facilitate bilateral trade, investment, and technology transfer between Canadian and EU small- and medium-sized enterprises (SMEs) with the aim of including any appropriate provisions in this respect in the TIEA.

15. Civil Society Consultations

Both the EU and Canada have developed mechanisms for involving different non-state actors in governmental policy-making and have argued in favour of a greater role for civil society members in the WTO.

Therefore, the TIEA should ensure that civil society has a role to play in the bilateral trade and investment relationship. Building on each other's experience of consultation with civil society, the TIEA should establish a bilateral civil society dialogue, following the implementation of the Agreement. This may involve a variety of consultative mechanisms to encourage direct participation by representatives of non-governmental organisations, business associations, and other specific or sectoral stakeholders in discussions on a range of horizontal trade and related issues.

16. Dispute Settlement and Institutional Arrangements

Canada and the EU agree to discuss the appropriate institutional and dispute settlement provisions once the contours of a future agreement become more clearly defined.