

October 31, 2005

The Honourable James Peterson
Minister of International Trade
International Trade Canada
125 Sussex Drive
Ottawa, Ontario
K1A 0G2

Dear Minister:

Re: Canada-South Korea Trade Negotiations

I am writing on behalf of the Canadian Association of Importers and Exporters (I.E.Canada) in response to consultations by your Department with respect to the market access negotiations under the Canada-Korea Free Trade Agreement (Canada-Korea FTA).

Our association has over 700 members representing a broad cross-section of the trading community throughout Canada, including large and small importers and exporters and service providers. As an association of importers and exporters, I.E.Canada is highly supportive of efforts to negotiate trade agreements with our trading partners that will provide effective access by Canadian exporters to new markets, as well as to more competitive sources of supply for the benefit of Canadian importers and consumers. In this regard, as an association we would also like to see you and your Department renew your efforts to conclude free trade negotiations that have been on-going for some time with countries such as the members of the European Free Trade Area, Singapore and the Central America Four.

With regard to the current negotiations with South Korea, while we recognize the potential benefits, we share the concerns that have been expressed by others that Canadian goods and services will not enjoy full reciprocal access to the South Korean market without the elimination by South Korea of non-tariff barriers and subsidies that have proven so problematic in so many industries in that country. Thus in order to ensure that Canadians will reap the benefits of a FTA with South Korea, Canada's agreement to eliminate tariffs should be conditional on firm commitments by South Korea to eliminate non-tariff barriers.

To avoid customs requirements and procedures becoming an impediment to trade, it is also essential that a FTA with South Korea include a trade facilitation chapter similar to that negotiated in the Canada-Costa Rica FTA. We also note that both Canada and South Korea have deposited their instruments of ratification of the World Customs Organization

(WCO) Revised Kyoto Convention (formally known as the International Convention on Simplification and Harmonization of Customs Procedures), which once implemented, will seek to harmonize and standardize outdated, manual and costly customs processes and procedures worldwide. The governments of both countries should promote adherence by the original contracting parties to the Kyoto Convention so as to achieve the 40 country threshold for replacement and entry of the Convention into force.

As president of I.E.Canada, I serve on the Steering Committee of the Canadian Anti-Counterfeiting Network. South Korea has been identified as a significant source of exported pirated and counterfeit products and was included on the Watch List in the United States Trade Representative's Special 301 Report for 2005 (lowered from the Priority Watch List in 2004), which examined the adequacy and effectiveness of intellectual property rights (IPR) protection in countries throughout the world. The Canada-Korea FTA should contain provisions to ensure the protection and enforcement of IPRs, including the implementation of effective border enforcement measures to prevent the export of pirated and counterfeit products.

Other concerns raised by our membership are as follows:

- *Rules of Origin:* The preferential rules of origin under the Canada-Korea FTA should follow the approach under the North American Free Trade Agreement (NAFTA) in order to promote a consistent approach to rules of origin in the different bilateral and regional FTAs to which Canada is a party. To the extent practicable, the rules of origin under the Canada-Korea FTA should be based on qualifying changes in tariff classification and should be simplified and liberalized taking into consideration companies' experience since the NAFTA was implemented. Rules of origin incorporating value content thresholds or prescribed levels of processing should be avoided wherever possible. Rules based on value-add percentages compel companies to conduct comparisons of labour, material, overhead and other costs with the total value of a good on a product-by-product basis. These thresholds can greatly complicate origin determinations because they require tracking of components and their relative values through ever-changing global operations; indeed the origin content of a product can vary by unit produced. Currency exchange or other fluctuations affecting the cost of product inputs add to this complexity. Process-based rules are burdensome given their highly technical nature (*i.e.*, justifying origin with detailed descriptions of production processes), their inevitable obsolescence given rapid technological change, and the need to obtain new legal requirements or interpretation when changes to processes occur.
- *Technical Barriers to Trade – Elimination of Redundant Testing and Certification:* To eliminate redundant testing and certification requirements for information technology (IT) and other products, it is recommended that the "One-Standard One-Test, Supplier's Declaration of Conformity" (1-1 SDoC) approach be adopted for clearing the import of IT and other products. Under this approach:

- "One – Standard" means acknowledging in regulations the primacy of international standards, such as those for safety and electromagnetic interface (EMI) that currently exist for computers and peripherals;
- "One – Test" means a country's product regulations accept validated test results (third party's or suppliers) without restraint on where the tests are conducted; and
- SDoC constitutes a statement indicating that the product has met required tests and is acceptable, given that the product has met required testing and administrative requirements for issuing an SDoC.

We appreciate the opportunity to have input into these negotiations and will continue to encourage our members to be actively involved. We look forward to on-going consultations with you and your Department as the negotiations proceed.

Yours very truly,



Mary Anderson
President

- cc. The Honourable David Emerson
John Gero, International Trade Canada
Ian Burney, International Trade Canada
Marvin Hildebrand, International Trade Canada
The Honourable Joe Cordiano, Minister of Economic Development and Trade, Ontario