

**INTERGOVERNMENTAL RELATIONS SECRETARIAT
OFFICE OF THE PREMIER**

MEETING NOTE

PREPARED FOR: Honourable Bruce Ralston, Minister of Jobs, Trade and Technology

MEETING WITH: Consul General Tong Xiaoling, Consul General of the People's Republic of China in Vancouver

Consul Yu Shanjun, Head of Commercial and Trade Office,
Consulate-General of the People's Republic of China in Vancouver

DATE AND TIME: November 30, 2018 / 6:00 PM

LOCATION: Consul General Tong's Residence, s.22

OVERVIEW:

Consul General Tong Xiaoling (CG Tong) has invited you to dinner at her residence. You will be attending in your capacity as Minister responsible for government relations with the Consular Corps.

CG Tong has indicated she would like to discuss:

1. The trade relationship between British Columbia and China;
2. The China International Import Exposition (CIIE); and
3. s.13,s.16

Consul General Tong will be accompanied by Consul Yu Shanjun, Head of the Commercial and Trade Office in the Consulate-General of the People's Republic of China in Vancouver.

The biography of Consul General Tong is attached as **Appendix A**.

DISCUSSION:

1. Trade Relationship between B.C. and China

- China is B.C.'s second-largest export market, behind the United States. In 2017, B.C. exports to China totalled \$6.4 billion, or roughly 15% of B.C.'s total export market;
- B.C. is the leading Canadian province for exports to China, with a near 30% share of total Canadian exports to China in 2017;
- Leading B.C. origin goods exports to China in 2017 included wood pulp, soda or sulphate (28% share of total) lumber (17%), coal (14%) and copper ores and concentrates (11%);
- B.C. exports to China increased 17% in the period between April to July 2018, relative to the same period in 2017. Notable B.C. export increases include: salmon products, plastics, vegetable oils and motor vehicle parts;

- China has become B.C.'s largest tourist source market in Asia, with a 7.1% increase in overnight visits to B.C. in 2017 over 2016;
- China's economic transformation is increasingly driven by a growing middle class and demand for safe, high quality products. B.C. is well positioned to leverage these trends, particularly in the agri-food and forestry sectors.

2. China International Import Exposition (CIIE)

- The first CIIE took place in Shanghai on November 5-10, 2018. The expo was hosted by the Ministry of Commerce of the People's Republic of China and the Shanghai Municipal People's Government, in partnership with the World Trade Organization, the United Nations Conference on Trade and Development, and the United Nations Industrial Development Organization;
- The expo is significant as it signals a move by China towards supporting trade liberalization and economic globalization, and a policy of encouraging an open Chinese market;
- CIIE hosted delegates from over 60 countries, with an estimated 200,000 Chinese buyers/visitors each day;
- B.C., along with other provinces (Ontario, Québec, Alberta and the Atlantic provinces), worked in partnership with Global Affairs Canada to co-ordinate a Canada Pavilion presence at the expo;
- The Canada Pavilion was granted "VIP" status and strategically located across from the Chinese Pavilion;
- B.C. Ministry of Jobs, Trade and Technology's International Business Development division led a cross-ministry initiative to develop and implement a "B.C. day". List of participating B.C. partners included:
 1. Ministry of Jobs, Trade & Technology
 2. Ministry of Agriculture
 3. Ministry of Energy, Mines, and Petroleum Resources
 4. BC Forestry Innovation Investment
 5. Destination BC
- In total, 15 B.C. companies exhibited, and some B.C. companies were selected as corporate partners for the Canada Pavilion. These companies included Arc'teryx, Eyexpo, Factors Group, Teck Resources, and Vancouver Film School.
- As a result, 11 signings were made in the Canadian Pavilion between B.C. companies and Chinese companies worth a total CAD \$202 million and involving companies including Factors Group, Teck Coal Ltd., CAC Natural Foods Inc., Sun Wah Foods Ltd., Avalon Dairy Ltd., and Heli-One Canada ULC.

s.13,s.16

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Appendix A
Biography of Consul General Tong Xiaoling

Consul General (with Ambassadorial Rank) Tong Xiaoling was born in 1962 in Beijing. She graduated from China University of Foreign Affairs.

1985-1990	Staff Member of Department of Asian Affairs, Ministry of Foreign Affairs
1990-1991	Attaché, Commercial Representative Office in Singapore
1991-1994	Third Secretary, Second Secretary, Embassy of China in Singapore
1994-1998	Second Secretary, Deputy Director, Director, Department of Asian Affairs, MFA
1998-2003	Counsellor, Permanent Mission of China to the United Nations, and then Embassy of China in the Philippines
2003-2004	Deputy Party Secretary, Wenshan Prefecture, Yunnan Province
2004-2007	Counsellor, General Office, and then Department of Asian Affairs, MFA
2007-2009	Ambassador of China to Brunei Darussalam
2009-2010	Ambassador, MFA
2010-2012	Ambassador of China to ASEAN
2014-2017	Deputy Commissioner of the Commissioner's Office of MFA in HKSAR
2017-	Consul General of the People's Republic of China in Vancouver

BACKGROUND INFORMATION

Intergovernmental Relations Secretariat - Office of the Premier

CONFIDENTIAL ADVICE TO THE PREMIER

PREPARED FOR: Premier John Horgan

MEETING: First Ministers' Meeting, December 6-7, 2018

ISSUE: OVERVIEW NOTE

FORMAT:

Your itinerary in Montréal includes the following components:

December 6:

- Remembrance ceremony marking 29th anniversary of shooting at École Polytechnique (5:00 pm on December 6 at the Chalet du Mont Royal, 1196 Voie Camillien-Houde, Montréal)
- An informal meeting of Canada's Premiers (COF), chaired by New Brunswick Premier Blaine Higgs and with a subset of Premiers in attendance, may be convened in advance of the First Ministers' private dinner (Centre Sheraton Montréal Hotel - to be confirmed)
- First Ministers' private dinner (7:30 pm on December 6 at ^{s.22}
s.22 - to be confirmed)

December 7:

- First Ministers' meeting with leaders of National Indigenous Organizations (NIOs) (8:00 am to 9:30 am on December 7 at the Marriott Château Champlain Montréal)
- First Ministers' Meeting (10:00 am to 2:45 pm on December 7 at the Marriott Château Champlain Montréal)
- Closing press conference (4:00 pm on December 7 at the Marriott Château Champlain Montréal)

B.C.'s delegation will be staying at the Marriott Château Champlain Montréal. The distance between the Marriott and the Sheraton (the location of the possible COF meeting) is about 400m.

The First Ministers' Meeting will be chaired by Prime Minister Trudeau. Minister Dominic LeBlanc, Minister of Intergovernmental and Northern Affairs and Internal Trade, will attend ^{s.16}
s.16

Other federal participants will include Minister of Finance Bill Morneau, Minister of Environment and Climate Change Catherine McKenna and Ambassador David MacNaughton. First Ministers will be staffed by officials in the room.

The FMM will conclude with a press conference, attended by First Ministers but not by NIO leaders.

BACKGROUND INFORMATION

Intergovernmental Relations Secretariat - Office of the Premier

PARTICIPANTS: (see attached list)

Since the last Council of the Federation meeting in July 2018, two provinces have had changes of government:

- In New Brunswick, the Progressive Conservative party formed a minority government under the leadership of Premier Blaine Higgs. The new government was sworn in on November 9, 2018.
- In Québec, the Coalition Avenir Québec (CAQ) party formed a majority government under the leadership of Premier François Legault, following the October 1 general election. The new government was sworn in on October 18, 2018.

See **Tab 1** for a list of participating First Ministers and leaders of the three invited National Indigenous Organizations.

STRATEGIC CONTEXT:

s.13,s.16

BACKGROUND INFORMATION

Intergovernmental Relations Secretariat - Office of the Premier

Notable dates around the FMM include:

- November 28: B.C. filed notices of election to intervene in the Saskatchewan and Ontario reference cases on the federal “carbon tax”
- November 29-30: B.C. Cabinet and First Nations' Leaders Gathering
- November 29: release of Ontario's environment plan
- December 1: signature of B.C./Canada/First Nations Summit Principals' Accord on Transforming Treaty Negotiations in BC.
- December 3: Québec economic update
- December 3-14: U.N. Climate Conference (COP24)
- December 4-6: the world's largest conference on machine-learning and artificial intelligence (Neural Information Systems Processing conference = NeurIPS) takes place in Montréal's Palais des congrès
- December 5: Bank of Canada interest rate announcement
- December 5: release of B.C.'s climate plan
- December 6: Premier Pallister delivers annual “State of the Province” address to the Winnipeg Chamber of Commerce
- December 6: Minister Navdeep Bains hosts the G7 Multistakeholder Conference on Artificial Intelligence
- December 6: 29th anniversary of the 1989 murders of 14 women at l'École Polytechnique de Montréal
- December 9: Pan-Canadian Framework on Clean Growth and Climate Change second annual report
- December 10: FPT Finance Ministers' Meeting
- January 1: federal output-based pricing system (OBPS) for emissions-intensive trade-exposed industries takes effect in provinces where the federal backstop applies.

The next federal general election will take place on October 21, 2019. s.13,s.16
s.13,s.16

Four provinces and territories will have general elections in 2019:

- Alberta – on a date between March and May;
- Prince Edward Island – on October 7;
- Northwest Territories – on October 7;
- Newfoundland and Labrador – on October 8.

OBJECTIVES OF OTHER PREMIERS:

Alberta:

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BACKGROUND INFORMATION

Intergovernmental Relations Secretariat - Office of the Premier

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Saskatchewan:

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Manitoba:

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BACKGROUND INFORMATION

Intergovernmental Relations Secretariat - Office of the Premier

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Ontario:

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BACKGROUND INFORMATION

Intergovernmental Relations Secretariat - Office of the Premier

commissioner would continue to exist, but under the direction of the provincial Ombudsman's
s.16

Québec:

s.16

New Brunswick:

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BACKGROUND INFORMATION

Intergovernmental Relations Secretariat - Office of the Premier

ENGAGEMENT WITH NATIONAL INDIGENOUS ORGANIZATIONS:

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s.16 The 2017 and 2018 meetings of Premiers and NIOs were boycotted by three of the five NIOs (AFN, MNC and ITK) due to their disagreement with the Premiers' position on NIO involvement in intergovernmental meetings. s.13,s.16
s.13,s.16

BACKGROUND INFORMATION

Intergovernmental Relations Secretariat - Office of the Premier

CONFIDENTIAL ADVICE TO THE PREMIER

PREPARED FOR: Premier John Horgan

MEETING: First Ministers' Meeting, December 6-7, 2018

ISSUE: Indigenous Involvement in the Economy

SCENARIO:

The Prime Minister will meet with leaders of the three National Indigenous Organizations (NIOs) from 7:30 am to 8:30 am on December 7. Following this, all First Ministers will meet with NIO leaders. Media will be invited to attend the Prime Minister's welcoming remarks at the beginning of the meeting, after which they will leave the room.

The agenda, developed by the federal government in consultation with NIOs, focusses on supporting economic development, growth and prosperity of Indigenous communities and businesses. s.13

s.13

SUGGESTED MESSAGES:

B.C. has numerous initiatives directly supporting Indigenous peoples' economic development through policy advice, advisory services, entrepreneurial and business programs, grants and access to low cost capital.

B.C. is supporting partnerships with Indigenous organizations focusing on economic well-being. These partnerships are increasing Indigenous peoples' participation in the economy, creating opportunities for Indigenous communities to join in major projects, and supporting industry and Indigenous peoples' collaboration.

B.C. supports Indigenous companies to become knowledgeable about foreign markets and to export their products.

B.C. has made reconciliation with Indigenous peoples a cross-government priority – we are working in every sector, together with Indigenous peoples, to build healthy communities and create shared prosperity that benefits all British Columbians.

BACKGROUND:

Key Facts:

B.C. is the first province in Canada to share revenue from mining, forestry and other resources with Indigenous peoples, enabling Indigenous peoples to invest in their communities.

BACKGROUND INFORMATION

Intergovernmental Relations Secretariat - Office of the Premier

B.C. has achieved more than 300 economic and reconciliation agreements with Indigenous peoples in the past five years, including more than 150 in the past two years.

Indigenous businesses are involved in 66 active major projects in B.C., each valued at \$15 million or more, with a combined total of approximately \$156 billion.

B.C. has developed a valuable business tool, the Indigenous Business Listing Database (IBL) which helps connect industry with Indigenous partners and suppliers. To date, there are more than 1,200 Indigenous companies listed, and information on all 203 First Nations communities across B.C.

Federal and Provincial Collaboration on Indigenous Economic Development

B.C. actively engages with Federal counterparts in support of Indigenous economic development:

- B.C. co-chairs the Federal, Provincial and Territorial Innovation and Strong Economy working group's Indigenous Economic Development Sub-Committee. This committee is pursuing a review and gap analysis of Federal and Provincial Indigenous economic development programs and promoting a corporate reconciliation agenda in keeping with the Call to Action #92 of the TRC.
- B.C., in partnership with the federal government, allocates approximately \$26 million annually through the Ministry of Advanced Education, Skills and Training to support skills and employment training for Indigenous communities and organizations in B.C.

Provincial Support to Indigenous Businesses for International Trade

B.C. supports Indigenous businesses to develop the skills and acumen to access international markets and export their products and services:

- B.C. supports Indigenous entrepreneurs and businesses to build their capacity and to become knowledgeable about foreign markets through workshops such as the "International Marketing of Indigenous Seafood" at the BC Seafood Festival, and attendance at various industry and sector events, such as the Prospectors and Developers Association Conference; and
- B.C. facilitates attendance at various international missions such as the International Agrifood events in China, Korea, Japan, Europe and USA.

Provincial Initiatives Supporting Indigenous Economic Development

- The Indigenous Business and Investment Council, which is chaired by Chief Aaron Sumexheltza, is an advisory council to B.C.'s Minister of Jobs, Trade and Technology, and is composed of Indigenous and industry leaders. The Council promotes Indigenous participation in the economy, growth of Indigenous entrepreneurship and businesses, and inspires Indigenous and industry partnerships. The Council's website hosts the B.C. Indigenous Business Listing;
- B.C., in collaboration with leading Indigenous organizations, founded the New Relationship Trust. The Trust's mission is investing in First Nations in B.C. to support capacity building.

BACKGROUND INFORMATION

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The Trust has allocated \$81 million in the past twelve years for governance, workforce and economic development initiatives;

- The First Citizens Fund and the First Nations Clean Energy Business Fund provide the opportunity for Indigenous entrepreneurs and First Nation communities to access financial and advisory support for their small business and clean energy development interests;
- B.C. supports First Nations' participation in the forestry and agriculture sectors through targeted support for new business development, business acquisitions, partnerships and capacity building initiatives;
- B.C. supports Indigenous peoples' entrepreneurial aspirations through partnering and funding support to entrepreneurial programs, including Youth Aboriginal Business Circles, Junior Achievement BC, and Futurepreneur; and
- B.C. supports the Community to Community Forum Program which helps local governments and First Nations jointly host forums to discuss common issues, challenges and mutual opportunities for the benefit of their communities.

Provincial Partnership with Indigenous Organizations for Economic Development

B.C. supports Indigenous organizations to build capacity and support their membership and Indigenous communities to pursue economic development:

- B.C. has an ongoing partnership with the BC Assembly of First Nations (BCAFN) to support its sustainable economic development strategy;
- B.C. supports the Métis community through the Métis Nation Relationship Accord II, a shared commitment to work together to close the socio-economic gap for Métis people in B.C. Economic development is a priority and sets the long term goal of promoting and achieving a vibrant Métis workforce;
- B.C. is partnered with the First Nations Major Projects Coalition to support First Nation community capacity building and to strengthen First Nation communities' understanding of the economic impacts and opportunities with major projects; and
- B.C. supports the Indigenous Tourism Association of BC to help Indigenous entrepreneurs to develop and scale up their businesses, and to reach a global audience. The Association does this through training, information resources, networking opportunities and co-operative marketing programs.
- In 2017, there were over 400 Indigenous tourism related companies, generating over \$700 million in indirect gross domestic output and creating 7,400 direct full-time jobs for Indigenous and non-Indigenous residents.

RECONCILIATION IN BRITISH COLUMBIA:

Treaty Transformation

BACKGROUND INFORMATION

Intergovernmental Relations Secretariat - Office of the Premier

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B.C. has four modern treaties in effect with eight First Nations: Nisga'a treaty, Tsawwassen First Nation treaty, the Maa-nulth treaty (five First Nations) and the Tla'amin Nation treaty. The Nisga'a treaty was negotiated outside the BCTC process.

On December 1, 2018, representatives from the First Nations Summit, the federal government, and B.C. signed the Principals' Accord on Transforming Treaty Negotiations in British Columbia on December 1, 2018.

Draft Principles

*The Draft principles that guide the Province of British Columbia's relationship with Indigenous Peoples were shared with all 27,000 public servants as a resource to help guide the B.C. Government and public service as we strengthen relationships with Indigenous peoples based on respect and recognition of inherent rights. B.C.'s principles largely match the corresponding federal principles announced in July 2017 (*Principles respecting the Government of Canada's relationship with Indigenous peoples*).*

The B.C. government is taking a practical approach to the Draft Principles. Each ministry has developed plans to implement them in their organization's day-to-day work. Ministries are at different stages of plan development - some Ministries have engaged Indigenous partners during plan development, others are just beginning their engagement. These plans are a starting point and are meant to evolve over time.

United Nations Declaration on the Rights of Indigenous Peoples

The federal bill C-262, which passed in the House of Commons on May 30, 2018 and is now before the Senate, aims to ensure Canada's laws are in harmony with the United Nations Declaration on the Rights of Indigenous Peoples. The legislation provides for the creation of a "national action plan" to ensure implementation of UNDRIP across jurisdictions, the development of measures to assess progress, and an annual reporting mechanism.

The First Nations Leadership Council and B.C. will be co-drafting new legislation for introduction in 2019 to implement UNDRIP in B.C.

BACKGROUND INFORMATION

Intergovernmental Relations Secretariat - Office of the Premier

CONFIDENTIAL ADVICE TO THE PREMIER

PREPARED FOR: Premier John Horgan

MEETING: First Ministers' Meeting, December 6-7, 2018

ISSUE: U.S. Trade Issues and Irritants

SCENARIO:

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SUGGESTED MESSAGES:

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BACKGROUND:

First Ministers' discussions on U.S. trade will focus on the **CUSMA**, which was agreed to by the three parties on September 30th, 2018 and signed on November 30th, 2018 at the G20 Summit in Argentina. There is no timeline for the deal's ratification in the U.S. Congress, with most analysts suggesting it could take from three months to over a year.

The following Canada-U.S. side letters enter into force immediately upon the CUSMA's signing:

- Wine: B.C. must implement its changes to current wine in grocery store measures by November 1, 2019. The U.S. also agreed in the wine side letter to stand down with its World Trade Organization (WTO) actions in relation to B.C.'s measures.
- Section 232 tariffs on autos: If the U.S. were to proceed with Section 232 measures on autos globally, Canada would not be affected unless it increased its exports to the U.S. by approximately 30%. s.13,s.16

s.13,s.16

- Future Section 232 measures: The U.S. is required to consult with Canada at least 60 days before it imposes future Section 232 measures, which means Canada would be given lead time over other countries.

BACKGROUND INFORMATION

Intergovernmental Relations Secretariat - Office of the Premier

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The remaining Canada-U.S. side letters are not in effect until the CUSMA enters into force. These are side letters on: water resources; energy; and research and development expenditures.

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Canada is continuing to work with the U.S. to remove tariffs on Canadian **steel and aluminum**, but there is no timeline as to when, or if, this will occur. s.13,s.16
s.13,s.16

The **softwood lumber** dispute remains in litigation, with Canada appealing through both the NAFTA and WTO dispute resolution mechanisms. Negotiations are at a stand-still, s.13,s.16
s.13,s.16

Recent lumber production curtailments in B.C. are a result not only of softwood lumber duties, but also declining lumber prices, high log costs and fibre supply challenges.

NORPAC, the U.S. company that launched action related to Canadian **uncoated groundwood** paper (newsprint), has dropped its appeal of the U.S. International Trade Commission's finding of no injury.

BACKGROUND INFORMATION

Intergovernmental Relations Secretariat - Office of the Premier

CONFIDENTIAL ADVICE TO THE PREMIER

PREPARED FOR: Premier John Horgan

MEETING: First Ministers' Meeting, December 6-7, 2018

ISSUE: Federal Fall Economic Statement

SCENARIO:

Minister Morneau will make a presentation at the First Ministers' Meeting that will center on the November 21 fall economic statement.

The economic statement provides the context for the federal government's economic agenda and its 2019 budget, as well as provincial and territorial positioning in reaction to the statement.

BACKGROUND:

Overview

The statement is entitled "Investing in Middle Class Jobs", and had a heavy emphasis on supporting economic growth, creating new jobs and providing more opportunities for people to succeed.

The statement includes commitments related to small business tax reductions, regulatory simplification and tax incentives to enhance business investment.

The federal government sees competitiveness as the fifth pillar in its long-term plan to grow the economy. The other pillars are: investments in strategic infrastructure; skills and training; innovation and science; and trade and investment.

The items of competitiveness, eliminating barriers to internal trade and diversifying international trade, which will be discussed at the FMM, were all significant themes in the fall economic statement.

Key commitments

Fiscal and economic situation:

The economic statement contains slightly improved economic forecasts:

- Projected 2018-19 deficit: \$18.1 billion for current fiscal year, an improvement of \$0.7 billion since Budget 2018.
- Revised 2017-18 deficit: \$19 billion, down \$0.9 billion.

BACKGROUND INFORMATION

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- Debt-to-GDP ratio projected to fall each year, to 28.5% by 2023-24, from 30.9% currently.
- Economic growth: 2% forecast next year (up from 1.6%) — and slightly higher inflation.
- Unemployment rate: 5.8% next year, down from 5.9%.

Policy /Program Measures:

- New announcements in the economic statement will cost \$0.5 billion in 2018/19 and \$5.5 billion in 2019/20. Total spending over six years: \$17.6 billion.
- The biggest measure is \$14.4 billion over six years to allow businesses to write off some capital costs more quickly.
- Launch of an Export Diversification Strategy aimed at increasing Canada's overseas exports by 50% by 2025.
- New funds for wild fish stocks sustainability: \$105 million over six years, starting in 2018–19, for the creation of a new British Columbia Salmon Restoration and Innovation Fund, which includes a contribution to the Pacific Salmon Endowment Fund of \$5 million in 2018–19; \$30 million over five years, starting in 2019–20 for a Québec Fisheries Fund. The B.C. and Québec funds will support projects focused on innovation, clean technology adoption, infrastructure investments that improve productivity, sustainability and safety, and science partnership.
- Strategic Innovation Fund: Additional \$800 million over 5 years, including \$100 million for forestry sector.
- Creation of a new Social Finance Fund: \$755 million over 10 years to give charitable, non-profit and social purpose organizations access to new financing and non-government investors.
- Increased investment in clean technology sector to help achieve climate goals and position Canada to be more globally competitive.
- Commitment to work with provinces and territories to remove barriers to trade within Canada, in four key areas: transport of goods between provinces and territories; food regulations and inspection rules across the country; construction sector, including the harmonization of building codes across Canada; and the facilitation of greater trade in alcohol between provinces and territories.
- Commitment to modernize federal regulations and encourage regulators to consider competitiveness when designing and implementing regulations.
- Commitment to advance pay equity.

Reactions by Other Governments and the AFN

- Ontario expressed disappointment with the federal government's unwillingness to completely mirror tax reforms in the United States. However, Ontario supports the measures to allow full expensing for certain assets and accelerated depreciation for most other depreciable assets (see 'tax reform' analysis, below). Ontario also called on the federal government to end the federal carbon tax to make Ontario and Canada more competitive.

BACKGROUND INFORMATION

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- Québec welcomed federal initiatives to increase the competitiveness and innovation of Canadian businesses, and noted the added funds made available to Québec through the enhanced Strategic Innovation Fund and the creation of the Social Finance Fund. The Québec government will issue its economic update on December 3rd.
- Alberta criticized the statement as “out of touch” with their needs, stating that nothing in the statement will help Alberta producers deal with the impact of the current heavy price discount on oil. In addition, the Albertan finance Minister noted there was no mention of plans to support an oil-by-rail plan to increase capacity in the absence of new pipelines.
- On November 22nd, the AFN issued a news release on the federal economic update indicating that “commitments and investments in First Nations priorities show progress, but much more needs to be done to build stronger First Nations for a stronger Canada.” “It’s positive to see targeted investments for First Nations and First Nations children, our most valuable resource,” said AFN National Chief Perry Bellegarde. “I look forward to further discussions with Minister Morneau and others at the upcoming First Ministers Meeting in December on how sustained investments and tangible action can maintain momentum and continue progress on closing the gap between First Nations and Canadians.”

Analysis

Tax reform

The federal government has been assessing the economic effects of last year's U.S. tax reform law, particularly in terms of Canada's competitiveness.

A summary of the U.S. tax reforms implemented through the *Tax Cuts and Jobs Act* in December 2017 include:

- changes that allow businesses to fully expense the cost of their investments in the year they are incurred;
- changes that decrease the corporate income tax rate to a flat 21 percent, from a graduated tax rate that topped out at 35 per cent;
- changes that eliminate the corporate alternative minimum tax (Canada has no corporate alternative minimum tax).

The federal government views the biggest threat to Canada's competitiveness from the U.S. changes to be that which allows businesses to fully expense the cost of their investments in the year they are incurred. In the November 21st economic statement, Canada announced it will not match the U.S.'s full immediate expensing, which would have cost \$30 billion, but announced an acceleration of investment expensing at a cost of \$14 billion.

BACKGROUND INFORMATION

Intergovernmental Relations Secretariat - Office of the Premier

The announcements by the federal government in the November 21st economic statement, however, partly mirror the U.S. tax change allowing full expensing of investments. In particular, Canadian businesses can, from now through 2023, immediately write-off manufacturing and processing equipment as well as clean energy equipment in the year it is acquired. Most other depreciable assets that are acquired between now and 2023 receive accelerated depreciation in the first year (as much as 3 times faster).

The changes announced in the November 21st economic statement are automatically adopted by B.C.'s *Income Tax Act*, as Canada and B.C. have a harmonized income tax base. ^{s.13}
s.13

Prior to the U.S. tax reforms, Canada had a clear tax competitiveness advantage over the U.S., so the U.S. tax reforms have made the U.S. competitive with Canada (as opposed to making Canada uncompetitive). When average state-level corporate income tax rates are added to the new U.S. federal rate, the U.S. situation is quite similar to the combined B.C./Canada corporate income tax rate:

	UK	US	BC / Can	Italy	Japan	Germany	France
Corporate income tax rate	19.0%	25.8%	27.0%	27.8%	30.0%	30.2%	34.4%

*Rates reflect combined central and sub-central corporate income tax rates from OECD Tax Database (https://stats.oecd.org/index.aspx?DataSetCode=TABLE_I11) for 2018, except for the BC/Canada rate which represents the 15% federal rate combined with the 12% BC rate.

Deregulation

In response to business competitiveness concerns stemming from the deregulatory approach in the U.S., the federal government will review and adjust its own regulations. Minister Morneau promised to legislate a requirement that all federal regulators consider the economic impacts of the regulations they impose. He also announced plans to introduce an Annual Regulatory Modernization Bill, starting in 2019, to remove outdated or duplicative regulatory requirements, and to allow for the updating of regulations. Canada is also planning legislative changes in 2019 that would encourage better alignment with key trading partners. The federal government is also proposing a full review of legislation governing regulation by 2020 to seek further opportunities to reduce administrative burden and red tape on Canadian businesses. As proposed by the business community, Minister Morneau announced the creation of an External Advisory Committee on Regulatory Competitiveness to help identify regulatory changes to promote economic growth and innovation.

Trade

Canada's new goal is to increase overseas trade by 50 percent by 2025. After signing trade agreements with all G7 countries and the Asia-Pacific region, Canada will spend \$1.1 billion to build infrastructure to get its exports East and West. Nearly \$800 million will support marine

BACKGROUND INFORMATION

Intergovernmental Relations Secretariat - Office of the Premier

port, rail, and highways projects aimed at Europe and Asia. The government will also take a number of measures to help Canadian businesses — particularly small and medium-sized businesses and technology companies — succeed in overseas markets.

Oil sector

Minister Morneau referred to the plight of Canadian oil producers as a crisis in remarks to reporters as Canadian oil sells significantly below world oil prices. Minister Morneau emphasized that new investment incentives and the regulatory overhaul will have a significant impact on Canada's energy sector in particular. He reiterated that the federal government remains committed to building the Trans Mountain pipeline to move Canadian oil to Asia.

Economic performance

Canada's GDP grew at 3 percent, the strongest in the G7 in 2017, and is expected to grow at 2 percent in 2018 and 2019, according to the federal economic statement. The unemployment rate is at a 40-year low. Wage growth is outpacing inflation and consumer confidence is strong.

The federal government deficit, projected to be C\$18.1 billion in 2018-19, is declining, and the debt-to-GDP ratio is the lowest in the G7 countries.

BACKGROUND INFORMATION

Intergovernmental Relations Secretariat - Office of the Premier

CONFIDENTIAL ADVICE TO THE PREMIER

PREPARED FOR: Premier John Horgan

MEETING: First Ministers' Meeting, December 6-7, 2018

ISSUE: International Trade

SCENARIO:

s.13,s.16

Just prior to the FMM, the Prime Minister will have attended the G20 Leaders' Summit in Buenos Aires, Argentina from November 30 to December 1, 2018. Before that, he attended the APEC Leaders' Meeting in Port Moresby, Papua New Guinea, from November 17 to 18, 2018. At both these meetings, the Prime Minister promoted his progressive trade agenda and emphasized Canada's commitment to expand trade and investment with the Asia-Pacific region and to attract global investment to Canada.

SUGGESTED MESSAGES:

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BACKGROUND:

Federal Approach

Canada's key priorities for international trade include:

- Increasing and diversifying trade for the benefit of the middle class;
- Increasing trade with key global markets, focusing on the Asia-Pacific region;
- Positioning Canada as a top destination for global investment;
- Leading the implementation of the Canada-European Union Comprehensive Economic and Trade Agreement (CETA) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP); and

BACKGROUND INFORMATION

Intergovernmental Relations Secretariat - Office of the Premier

- Implementing, expanding and diversifying Canada's Free Trade Agreements (FTA) globally.

As part of its efforts to ensure that the benefits of trade are more widely shared, Canada has emphasized a progressive trade agenda, including advocating for progressive elements on labour, the environment, gender, and First Nations in trade negotiations.

Areas of Engagement

The two leading areas of engagement for B.C. in international trade are the CPTPP and CETA. Other relevant international trading blocs include the Pacific Alliance, Mercosur and the Association of South East Asian Nations (ASEAN), and other relevant bi-lateral trade negotiations include those with China and India.

British Columbia also engages with important international trading partners outside of formal trade negotiations and in areas of significance to the B.C. economy, such as Liquefied Natural Gas (LNG), technology, agri-foods, wood products, and tourism.

1. Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP):

- Australia became the sixth CPTPP member to ratify the agreement on October 31, 2018, meaning that the CPTPP will come into force for Mexico, Japan, Singapore, New Zealand, Canada and Australia on December 30, 2018. Vietnam ratified the agreement on November 15, and it will enter into force on January 14, 2019.
- The ratification will give B.C. preferential access to five new countries – Japan, Singapore, New Zealand, Australia and Vietnam. Once the other four countries ratify, B.C. will gain preferential access to other quickly growing markets in the Pacific (Brunei, Chile, Malaysia and Peru).
- B.C. supports the emphasis on progressive elements in the CPTPP, including the enforceable Labour and Environment Chapters, the provisions on small and medium-sized enterprises, and transparency and anti-corruption.

2. Canada-EU Comprehensive Economic and Trade Agreement (CETA):

- CETA came into effect through provisional application on September 21, 2017. For CETA to take full effect, all 28 E.U. member states must ratify it. To date, 10 member states have ratified the agreement, including Latvia, Denmark, Croatia, Spain, the Czech Republic, Portugal, Malta, Estonia, Lithuania and Sweden.
- Once CETA is fully implemented, the E.U. will eliminate tariffs on 99% of imports from Canada. B.C. exporters will have increased access to over 500 million consumers, including duty-free access for forestry and wood products, and new markets for agricultural and agri-food products, fish and seafood.
- The federal government has committed to work with provinces and territories on compensation for incremental cost increases to public drug plans arising from CETA.

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B.C.'s Ministry of Health is currently assessing the report by the federal Parliamentary Budget Office on the estimated costs to public drug plans under CETA.

- Depending on the result of Brexit, any potential future preferential trade arrangement between Canada and the U.K. after it leaves the E.U. will depend on the withdrawal terms and the new trade and economic relationship that the U.K. and Canada will negotiate.

3. Other trade negotiations:

Canada is also involved in other trade negotiations and discussions:

- **Pacific Alliance** (Chile, Colombia, Mexico, and Peru): Canada, along with Singapore, Australia, and New Zealand, is currently in negotiations to become an Associate Member of the Pacific Alliance (PA). Seven rounds of negotiations have been held to date. Round eight was scheduled for the end of November 2018 but was cancelled due to internal issues within the PA members. Chief negotiators from Canada and the PA met in late November 2018 to discuss next steps. The outcome of that meeting was a six-month workplan and a plan to try to conclude negotiations by July 2019. The PA has a combined GDP of approximately USD \$2 trillion, and more than 220 million people.
- **Mercosur** (Argentina, Brazil, Paraguay, and Uruguay): FTA negotiations between Canada and Mercosur were launched on March 9, 2018. Three rounds of negotiations have been held to date (in March, June and September 2018). Round four is scheduled for December 3-14, 2018. Mercosur has a GDP of over USD \$3 trillion and a population of 260 million.
- **ASEAN** (Association of Southeast Asian Nations – Indonesia, Vietnam, Thailand, Singapore, Malaysia, Philippines, Cambodia, Myanmar, Laos, and Brunei): Canada and ASEAN announced the launch of exploratory discussions for a possible Canada-ASEAN FTA in September 2017. The first set of face-to-face exploratory meetings took place on July 11-12, 2018 in Singapore. There is no word from the federal government on possible timing for Canada to make a decision on whether to enter into FTA negotiations with ASEAN. Combined, ASEAN has a GDP of approximately USD \$2.8 trillion and a population of 643 million.
- **China:** On September 22, 2016, Canada and China announced the launch of exploratory discussions for a possible Canada-China FTA. Canada and China have held four exploratory discussion meetings, yet neither party has made a decision on next steps and no further exploratory discussions have been scheduled.

Some recent media reports have speculated that Canada has shifted its focus from a comprehensive trade agreement with China to instead concentrate on achieving sector-by-sector deals. This, however, has not been confirmed by the federal government. Despite some media reports, the United States-Mexico-Canada Agreement (USMCA) does not prevent Canada from entering into FTA negotiations or an FTA with China.

Despite the absence of a free trade agreement between Canada and China, British Columbia has engaged with China on a number of important trade-related and investment activities including the LNG Canada project, goods exports and tourism. China is B.C.'s

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second-largest export market behind the United States. In 2017, leading B.C. origin goods exports to China included wood pulp, soda or sulphate (28% share of total), lumber (17%), coal (14%) and copper ores and concentrates (11%).

Inbound tourism to B.C. from China tripled between 2009 to 2016, with 312,668 overnight customs entries, or 5.6% of total inbound tourism, entering B.C. from China in 2016.

In 2015, B.C. marked the 20th anniversary of the Sister Province relationship between British Columbia and Guangdong Province in China. B.C. has a trade and investment office in Guangdong Province to promote B.C. business interests in the province. Guangdong opened a similar office in Vancouver in 2014.

China is the second largest economy in the world, behind the United States, with a GDP of over USD \$12.2 trillion. It is also the most populous country in the world with over 1.38 billion people. China's middle class has grown from 4% of the total population in 2002, to nearly 39% of the total population in 2017. China's urban population has grown from 19% of the total population in 1980, to 58% of the total population in 2017.

- **India:** In 2010, Canada and India launched negotiations toward a Comprehensive Economic Partnership Agreement (CEPA). Negotiations stalled between March 2015 and the most recent round in August 2017. There have been no new rounds since that time. In addition, Canada and India have been in negotiations to finalize a Foreign Investment Promotion and Protection Agreement (FIPA). These negotiations appear to have stalled as well. India is the sixth largest economy in the world with a GDP of almost USD \$2.6 trillion. It is the second most populous country in the world with a population of over 1.33 billion.
- **The World Trade Organization (WTO) Dispute Settlement Mechanism**

B.C. is an active participant in several disputes currently underway to challenge United States trade remedies that impact B.C.'s forest industry.

Since United States President Donald Trump took office in January 2017, the United States has vetoed all Member appointments to the WTO Dispute Settlement Body (DSB) of the Appellate Body. President Trump has been publicly vocal against the Body stating that the United States loses cases because other countries have most of the Members on the Body.

The DSB consists of seven members, who serve four-year terms. Four member seats are currently vacant, leaving three members, which is the number required to hear each appeal.

Prime Minister Trudeau reportedly raised this issue with the Premier of the State Council of the People's Republic of China, Li Keqiang, at a meeting in Singapore on the fringe of the APEC summit in November 2018. The Prime Minister's Office reported that Canada and China agreed to deepen their co-operation through organizations such as the WTO.

B.C. sees the Appellate Body as crucial to the continued effectiveness of the dispute settlement mechanism, and B.C. shares Canada's concern about the impasse with the United States that threatens the continued function of the Appellate Body.

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4. Economic co-operation outside of formal trade agreements

Outside of formal trade agreements and/or negotiations, B.C. engages in trade and investment opportunities with important international markets.

The United States is the leading goods export market for B.C., with a 51% share of total international exports in 2017, followed by China (15%), Japan (10%) and South Korea (7%).

Some specific examples of economic co-operation outside of formal trade agreements include:

Energy investment:

- Energy products were the leading export products for B.C. in 2017, with a 25% share of total commodity exports (including coal (15% share of total), and natural gas (6%)).
- On October 1, 2018, LNG Canada announced the Final Investment Decision (FID) to build the LNG Canada export facility in Kitimat, B.C. The decision was seen as an important step towards clean energy development and export for B.C. and Canada.
- LNG Canada is a consortium of five international companies: Shell (The Netherlands, 40% share), PETRONAS (Malaysia, 25% share), PetroChina (China, 15% share), Mitsubishi Corporation (Japan, 15% share) and KOGAS (Korean, 5% share).
- LNG Canada is the largest private sector investment project in Canadian history.

Wood products:

- Wood products were the second leading export products for B.C. in 2017, with a 22% share of total commodity exports. Leading wood product exports included softwood lumber (15% share of total) and logs (2%).
- The United States is the leading market for B.C. exports of softwood lumber, with a 63% share of total B.C. softwood lumber exports in 2017. Other important markets include China (16% share) and Japan (11% share). While South Korea is a relatively small market (1% share), it is valued because it demands construction grade lumber, which makes it an alternative market for wood products that would otherwise be sold to the United States.
- B.C. Forestry Innovation Investment (FII) agency is focused on creating new market segments within established markets in China, Japan and South Korea, and opening new, high-potential markets in India and Southeast Asia (including Vietnam).

Agrifoods:

- B.C. agriculture and food exports (including fish exports) totaled approximately 9% of total B.C. commodity exports in 2017.
- The top five markets for B.C. agrifood and seafood exports in 2017 were:

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- The United States with a 72% share of exports worth \$2.8 billion;
- China with a 10% share of exports worth \$395 million;
- Japan with a 5% share of exports worth \$204 million;
- South Korea with a 2% share of exports worth \$71 million; and
- Hong Kong with a 2% share of exports worth \$67 million.¹
- The Ministry of Agriculture (AGRI), and the Ministry of Jobs, Trade and Technology (JTT) align their sector strategies with federal Agriculture and Agri-food Canada plans and initiatives. These strategies identify B.C.'s priority markets and guide programs and services offered with support from the Canada-British Columbia agreement implementing the Canadian Agricultural Partnership, which provides federal and provincial funding for sector development.
- As of 2016, the agreement funds two dedicated B.C. Agrifood and Seafood Trade and Investment Representatives in South Korea and Hong Kong.

Tourism:

- The United States was the largest tourist market for B.C. in 2017, with nearly 6 million visitor arrivals in the year. The next largest group was Asia Pacific (1.2 million), followed by Europe (550,000).
- In Asia-Pacific, the largest group of visitor arrivals for B.C. in 2017 was from China (over 330,000 visitors), followed by Australia (approx. 260,000), followed by Japan (nearly 160,000). The largest increase in tourism numbers between 2016 and 2017 was Australia (20% increase in tourism).
- Destination B.C.'s tourism marketing is focused on several geographic areas such as those that have strong growth (U.S., China, Mexico, Australia, B.C.), those with moderate growth (U.K., Germany, Japan, Ontario, Alberta), and those with growth potential (Japan, South Korea, India, France).

Technology Investment

- British Columbia is increasingly encouraging investment from key technology markets, such as Japan.
- In November 2017, Vancouver-based computing software company 1QBit announced a C\$45M Series B round investment from Japanese company Fujitsu (in partnership with Accenture, and Allianz) to advance industry applications of quantum computing.

¹ Note: these numbers have been rounded up/down

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CONFIDENTIAL ADVICE TO THE PREMIER

PREPARED FOR: Premier John Horgan

MEETING: First Ministers' Meeting, December 6-7, 2018

ISSUE: Internal Trade

SCENARIO:

s.13,s.16

Hon. Dominic LeBlanc, federal Minister of Intergovernmental and Northern Affairs and Internal Trade, will lead this agenda item. Minister LeBlanc issued the attached news release on November 28 (see Tab 11).

SUGGESTED MESSAGES:

s.13,s.16

BACKGROUND:

Scope of CFTA

The Canadian Free Trade Agreement (CFTA) entered into force on July 1, 2017, with the federal and all provincial and territorial governments as signatories. The CFTA is designed to help ensure that Canadian businesses, workers and investors have the same or similar rights as foreigners in Canada under international trade agreements. It includes broad coverage of the Canadian economy, reduces regulatory burdens, and enhances procurement opportunities. It uses a comprehensive "negative list approach" meaning that it covers all sectors of the economy and trade in all goods and services as well as all investments, except where parties have clearly identified "exceptions".

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Although the CFTA was a major milestone, several items pursuant to it remain works in progress:

- The CFTA establishes a regulatory reconciliation process designed to help eliminate unnecessary differences among jurisdictions in regulations that create barriers to trade.
- The CFTA does not include provisions with respect to trade in alcoholic beverages. Rather, it established a working group to discuss and make recommendations on measures in this area.
- The CFTA also does not yet cover financial services^{s.16} or non-medicinal cannabis. Parties have initiated discussions on financial services and have agreed to hold discussions to assess incorporating provisions on non-medicinal cannabis following its legalization on October 17, 2018.

Recent Developments

Internal trade was a key topic at the July 2018 Council of the Federation (COF) meeting. Premiers agreed that there was an urgent need to accelerate the pace of reducing barriers to trade within Canada. Premiers committed provinces and territories to take immediate and meaningful action in four areas: occupational health & safety, transport regulations, agriculture, and business registration. Premiers also agreed to enhance trade and consumer choice in alcoholic beverages. In addition, Premiers Pallister and McNeil were tasked with coordinating with trade ministers to accelerate the work.

Premiers articulated their expectation of significant outcomes by fall 2018 ahead of a First Ministers' Meeting (FMM), and directed responsible provincial and territorial ministers to report back through trade ministers with an interim progress report by September 30, with further reporting ahead of the FMM.

An interim progress report was sent to Premiers on September 30. It included a status report on the "Accelerated Internal Trade Agenda", which identified four areas from the Regulatory Reconciliation and Cooperation Table's 2018-19 work plan where tangible results could be delivered by fall 2018. The interim report also included the status of work for each item on the full 2018-19 work plan.

In August 2018, Hon. Dominic LeBlanc was appointed federal Minister of Intergovernmental and Northern Affairs and Internal Trade. Minister LeBlanc's new mandate tasked him with working towards an end to trade barriers in Canada, including "a full exercising" of federal jurisdiction over trade and commerce. The mandate letter also directed Minister LeBlanc to support the Prime Minister in hosting an FMM with Premiers on interprovincial trade.

Minister LeBlanc convened an ad-hoc meeting of Ministers responsible for Internal Trade on October 25 in Vancouver. Trade ministers from Nova Scotia, Newfoundland and Labrador, Prince Edward Island and the Northwest Territories were present. Minister Ralston was unable to attend, but B.C. officials were present. It should be noted that the formal table constituted under the CFTA for Ministerial work is the Committee on Internal Trade, which is currently chaired not by Minister LeBlanc but by Minister Pierre Fitzgibbon of Québec.

BACKGROUND INFORMATION

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At the Vancouver meeting, Minister LeBlanc proposed s.13,s.16
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The federal Fall Economic Statement, presented on November 21, mentioned Canada's commitment to the harmonization of building codes and to making them free of charge.

The Committee of Internal Trade met on November 23. Minister LeBlanc was unable to attend at the last minute, due to urgent votes in the House of Commons on legislation to resume postal service.

Status of Outstanding Work Items

1. Regulatory Reconciliation and Cooperation

The CFTA establishes a Regulatory Reconciliation and Cooperation Table (RCT) that is responsible for reconciling all regulatory measures identified by any Party to the agreement as acting as a barrier to trade, investment, or labour mobility within Canada.

In March 2018, the RCT finalized its first workplan consisting of 23 measures that will be the focus of reconciliation efforts for the next two years.

The identified regulatory measures cross a number of ministerial mandates and include work in the areas of occupational health and safety, transportation, standards and codes, agriculture and agri-food, labour mobility, drug scheduling, and registration requirements.

Under the CFTA, Parties will have the ability to opt out of a reconciliation exercise (take an exception) without preventing interested Parties from continuing to make progress in the related area.

On November 23, the Committee of Internal Trade confirmed progress in the following areas:

Occupational Health & Safety: Provinces and territories have agreed to adopt and recognize common standards in specific areas of OH&S, including first aid kits, head protection, eye and face protection, hearing protection, foot protection, and personal floatation devices and life jackets. Labour ministers will be in a position to finalize a reconciliation agreement in these areas in January 2019, with implementation by December 2019.

Transport Regulations: Provinces and territories have agreed in principle to align weight parity for single wide tires with conventional dual tires on all major trade routes in Canada. Some jurisdictions may do so through a permit based system. Transportation ministers will be asked to finalize a reconciliation agreement in early 2019, and to accelerate efforts to address additional trade irritants in the trucking industry.

CRN for Pressure Equipment Design: Provinces and territories are in the process of enabling mutual recognition of Canadian Registration Numbers (CRN) for pressure equipment. Technical safety ministers are expected to finalize a reconciliation agreement in early 2019.

Business Registration: Ministers responsible for internal trade agreed to focus on the development of the new multi-jurisdiction registry access system (MRAS), which will enable

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streamlined registration and mutual recognition for multi-jurisdictional businesses. The system is expected to be in operation by 2020. Responsible ministers will continue to explore ways to ease administrative burdens associated with business registration and reporting requirements.

s.13,s.16

The full progress report on regulatory reconciliation initiatives found in the Accelerated Internal Trade Agenda and the 2018-19 Work Plan can be found in Tab 11.

2. Trade in Alcoholic Beverages

The CFTA committed Parties to establishing an Alcoholic Beverages working group (ABWG) to identify specific opportunities and recommend initiatives to further enhance trade in alcoholic beverages within Canada, while being mindful of social responsibility, international obligations and fiscal impacts. This includes consideration of technological innovations and opportunities to address regulatory barriers through the RCT table.

The ABWG completed a confidential report in July 2018. s.13,s.16
s.13,s.16

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s.13,s.16

The Canadian Vintners Association and the B.C. Wine Institute have been advocating for provinces to allow direct to consumer sales (DTC) for Canadian wine (BC, NS and MB currently allow this). Several other provinces (QC, ON, NL, YK, NT, NU) have indicated that they have no interest in further considering DTC. Others seem willing to consider DTC under certain conditions (i.e. not limited to wine).

At the July COF meeting, Premiers agreed in principle to significantly increase personal use exemption limits for transportation of alcoholic beverages across provincial boundaries (the maximum an individual is allowed to bring into the province on their person and not for resale). Premiers' communiqué also stated that some jurisdictions may eliminate limits entirely, as is now the case in Manitoba and Alberta.

s.16

Parties will have 18 months to amend their relevant provincial regulations upon a formal intergovernmental commitment being made by Trade Ministers or First Ministers regarding personal use exemption limits.

In July, Premiers also directed ministers responsible to, where feasible, move forward with work to: improve information and transparency in pricing and listing practices and enhance or develop e-commerce platforms within local markets, and consider options to increase consumer choice and access to alcoholic beverages in a socially and fiscally responsible way.

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To meet COF direction, each jurisdiction has reviewed the ABWG report's recommendations and indicated which recommendations they can support and what commitments they can make.

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Going forward, provinces and territories will develop an action plan to enhance trade in alcoholic beverages to support improved consumer choice and convenience and enhanced sales channels opportunities for producers. Responsible ministers will be tasked with overseeing the timely implementation of this plan.

3. Financial Services

The CFTA currently does not apply to financial services.

The CFTA tasked Parties to commence exploratory discussions prior to January 1, 2018 to review all existing provisions in the area of financial services to explore if or how provisions could be incorporated into the CFTA, in particular to align with current international obligations.

The CFTA calls for Parties to conclude negotiations to incorporate rules applicable to financial services into the CFTA within two years (no later than January 1, 2020).

Negotiations on financial services began on October 26, 2018. Parties discussed a work plan for the negotiations which set clear timelines and deliverables for their work.

Parties have established an ambitious timeline to ensure negotiations are concluded within two years of the commencement of the exploratory discussions (i.e., by November 29, 2019). A report is scheduled to be provided to the CIT by December 31, 2018.

4. Non-Medicinal Cannabis

Parties began exploratory talks on trade in cannabis as early as March 2018, a few months before federal legislation received Royal Assent (June 21, 2018).

The talks held so far have allowed Parties to exchange information on the legislative and regulatory intentions of their respective governments and, in the process, to measure the extent of the differences in the regulatory frameworks considered by each of them.

Parties have also given consideration to which obligations in the CFTA would apply to cannabis measures if the non-medicinal cannabis exception were repealed and have begun to turn their minds to the type of Party-specific exceptions that may be sought.

Provinces and territories have adopted a range of regulatory approaches for cannabis, with wide variations in the degree of government involvement in core functions such distribution and retail. Some Parties' regulatory models continue to evolve as more detailed regulations and policies are added.

To maintain momentum, Parties will continue to meet on a regular basis to advance discussions and share information.

BACKGROUND INFORMATION

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Once all Parties have developed their regulatory frameworks in sufficient detail, negotiations to determine the application of the CFTA to cannabis measures will be formally initiated, in accordance with Article 1206.

5. Federal Barriers

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Other CFTA Developments

On November 26, the Alberta government launched a trade challenge against Ontario over unfair liquor policies that prevent Alberta manufacturers from accessing the Ontario market. Alberta is citing significant discrepancies in the number of out of province Canadian products that it lists compared to Ontario (i.e., Alberta lists 745 products from Ontario, while Ontario lists approximately 20 from Alberta). In addition to the trade challenge, Alberta is introducing a small brewer markup. Brewers who apply for this markup and produce less than 50,000 hectolitres in Annual Worldwide Production (AWP) will be subject to less than the standard \$1.25 per litre markup. A markup of between 10 cents and 60 cents will be applied per litre based on their AWP.

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CONFIDENTIAL ADVICE TO THE PREMIER

PREPARED FOR: Premier John Horgan

MEETING: First Ministers' Meeting, December 6-7, 2018

ISSUE: Bill C-69, "an Act to enact the *Impact Assessment Act* and the *Canadian Energy Regulator Act*, to amend the *Navigation Protection Act* and to make consequential amendments to other Acts"

SCENARIO:

Proposed changes to federal environmental assessment processes, embodied in Bill C-69, may
s.16

SUGGESTED MESSAGES:

- The new federal approach must implement the principle of one project-one assessment, respect provincial jurisdiction and afford opportunities for more effective engagement of Indigenous and non-Indigenous communities.
- Many of the proposed federal changes are similar to provisions that already exist in B.C.'s assessment process.
- B.C. is also revitalizing its environmental assessment process. Revitalization in B.C. means enhancing public confidence, advancing reconciliation, and protecting the environment while offering clear pathways to sustainable project approvals.
- B.C. shares the view that the new federal approach must advance reconciliation with Indigenous nations, which will ultimately enhance clarity and certainty for the environmental assessment process.

BACKGROUND:

Federal Approach

In February 2018, Canada introduced the new Bill C-69, which will enact the *Impact Assessment Act* (IAA) and *Canadian Energy Regulator Act*, and proposed changes to the *Navigation Protection Act*. The proposed changes are part of the federal government's aim to restore public trust, improve transparency, and advance reconciliation with Indigenous peoples.

The proposed IAA endorses the principle of "one project-one assessment" and retains the concept of substitution. Substitution means that where both federal and provincial environmental assessments are required there is one environmental assessment process – the provincial one – and separate federal and provincial decisions.

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This is one of the first opportunities for the federal government to implement its commitment to UNDRIP in the context of federal legislation.

The IAA defines “effects within federal jurisdiction” and clarifies that provisions are to be exercised only in relation to these effects (for example, issuing conditions). Likewise, provisions related to regional assessments may only be exercised on exclusively federal lands, or only in partnership with another jurisdiction outside federal lands.

Bill C-69 is currently in its second reading in the Senate. It likely will not be brought into force until related regulations have been drafted, in the summer of 2019 at the earliest. Draft regulations for formal publication are anticipated for release early in 2019.

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Past Premiers' Statements

At the Western Premiers' Conference in May 2018, Premiers expressed concern that, without additional detail, the proposed legislation does not provide the required regulatory certainty needed to attract investment and improve competitiveness. In addition, Western Premiers were concerned with duplication with provincial processes, delays or additional roadblocks to the responsible development of natural resources.

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At the Council of the Federation in July 2018, Premiers called on the federal government to provide increased clarity and detail on the proposed environmental and regulatory processes, and articulated the need for provinces and territories to be meaningfully involved in the development of supporting regulations.

B.C. Approach

Overall, B.C. is comfortable with the proposed new Act. Proposed changes generally fall within two categories: changes that align with approaches already undertaken in environmental assessment in B.C.; and changes that have been incorporated as part of B.C.'s commitment to revitalize our own EA process. B.C.'s revitalized process goes beyond the commitments to UN Declaration proposed in the federal Act.

New legislation was introduced into the B.C. Legislature on November 5 and received Royal Assent on November 27. It is expected to come into force in late 2019.

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Intergovernmental Relations Secretariat - Office of the Premier

CONFIDENTIAL ADVICE TO THE PREMIER

PREPARED FOR: Premier John Horgan

MEETING: First Ministers' Meeting, December 6-7, 2018

ISSUE: National Pharmacare

SCENARIO:

Pharmacare is not on the agenda of the FMM or of the pre-meeting of Premiers. However, depending on the status of work by the federal Advisory Council on the Implementation of National Pharmacare, s.13,s.16
s.13,s.16

SUGGESTED MESSAGES:

- B.C. is supportive of the principle of National Pharmacare s.13,s.16
s.13,s.16
- s.13,s.16
- The four principles articulated by Premiers at the summer COF meeting in Saint Andrews must continue to be the basis for any discussions with the federal government.

BACKGROUND:

PT Collaboration: Council of Federation Principles and Direction to Health Ministers

National pharmacare has potential benefits and challenges. Premiers have been clear that any successful national pharmacare program requires adequate and sustained federal funding with the option for PTs to opt out. At their July 2018 meeting, Premiers further agreed that discussions on pharmacare will be governed by the following principles:

- Improving access through removing cost barriers for patients should be the focus;
- Development should be based on the best available evidence about potential benefits, risks, cost, and reliability of supply;
- Provinces and territories must retain responsibility for the design and delivery of public drug coverage; and
- Federal pharmacare funding must be long-term, adequate, secure, flexible and take into consideration present and future cost pressures.

Premiers also reiterated their support for asymmetrical federalism and that any jurisdiction that wishes to maintain full control over drug insurance should have the right to opt out

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unconditionally, with full financial compensation, should the federal government participate financially in the establishment of a pharmacare plan.

Premiers directed Ministers of Health to be guided by these principles in developing analyses of the policy implications and costs of different pharmacare models to support Premiers in their future discussions with the federal government. Ministers were also asked to provide an analysis of the PBO and HESA reports and other evidence-based considerations important to PTs. Premiers asked for a report based on this analysis by October 31, 2018. The report is currently being finalized by health officials; s.13,s.16

s.13,s.16

Proposals have been made since at least the 1960s to develop a single national pharmaceutical benefit plan in Canada. Federal/provincial/territorial (FPT) interest and initiatives have intensified in recent months and years.

September 2017 Parliamentary Budget Offices (PBO) Report and April 2018 House of Commons Standing Committee on Health (HESA) Report

Recent reports have proposed various scenarios and models to show possible savings and improvements to Canadians' ability to access prescription medicines under a national pharmacare program. These include: *The Federal Cost of a National Pharmacare Program*, prepared by the Office of the Parliamentary Budget Officer (PBO) in September 2017 and *Pharmacare Now: Prescription Medicine Coverage for all Canadians*, prepared by the House of Commons Standing Committee on Health (HESA) in April 2018.

s.16

Establishment of Federal Advisory Council (February 2018)

On February 28, 2018, the federal government announced the creation of the Advisory Council on the Implementation of National Pharmacare (the "Advisory Council") to provide independent advice to the federal Ministers of Health and Finance on how to best implement National Pharmacare. The Advisory Council is chaired by former Ontario Minister of Health Dr. Eric Hoskins.

On June 20, 2018, the Advisory Council released a discussion paper titled "Towards Implementation of National Pharmacare". The discussion paper outlined three key issues to consider in relation to National PharmaCare:

- Who will be covered and under what circumstances?
- Which drugs would be covered on a national formulary?
- Who pays?

The Advisory Council is consulting with provincial and territorial governments, Indigenous groups, health care industry groups and individual Canadians. The input received will form the basis of a report on National Pharmacare that will be presented to the federal Minister of Health and Minister of Finance

BACKGROUND INFORMATION

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in spring 2019, which is to include options and recommendations as to what measures the federal government should take.

s.13,s.16,s.17

2018 HESA Work on Expensive Drugs for Rare Diseases

On April 18, 2018, the House of Commons Standing Committee on Health (HESA) adopted the following motion:

“...the Committee undertake a study on the barriers to access to treatment and drugs for Canadians affected by rare diseases and disorders, including the Special Access Program, in order to develop recommendations on actions that the federal government can take, in partnership with the provinces and territories, to remove these barriers; that the Committee report its findings and recommendations to the House no later than December 31, 2018; and that, pursuant to Standing Order 109, the Committee request that the government table a comprehensive response to the report.”

The PT Expensive Drugs for Rare Diseases Working Group is developing a submission to HESA. B.C. is leading this work with Alberta and Ontario.

BACKGROUND INFORMATION

Intergovernmental Relations Secretariat – Office of the Premier

CONFIDENTIAL ADVICE TO THE PREMIER

PREPARED FOR: Premier John Horgan

MEETING: First Ministers' Meeting, December 6-7, 2018

ISSUE: Canada Health Transfer

SCENARIO:

Health funding is not on the agenda of the FMM. s.16
s.16

SUGGESTED MESSAGES:

Overall federal support for provinces (i.e., the combined total of the Canada Health Transfer and the other major transfers) is projected to decline relative to the size of the economy.

The Parliamentary Budget Office (PBO) confirms that even though the federal government is currently in deficit it has the capacity to increase support for provincial health care and social services.

Ageing is a key cost factor that should be reflected in the growth of federal health care funding. B.C. has lost out on hundreds of millions of dollars more because the allocation of the Canada Health Transfer (CHT) has failed to account for one basic fact: cost pressures are higher for those provinces that have older populations.

Between 2012/13 and 2016/17, federal support for health care, post-secondary education, and social services in B.C. was underfunded by about half a billion dollars because B.C.'s population was under-estimated following the 2011 Census.

BACKGROUND:

Summary of Major Federal Transfers in 2018/19

	CHT	CST	Equalization	TFF
Program Size	\$38.6 billion	\$14.2 billion	\$19.0 billion	\$3.8 billion
Growth Rate	3-year average of nominal GDP	3 per cent	3-year average of nominal GDP	Formula-based
Growth Floor	3 per cent	None	None	None
Basis for Allocation	Equal per capita	Equal per capita	Fiscal capacity (only provinces with below-average capacity)	Fiscal capacity & expenditure need (all territories)
B.C. Share	\$5.2 billion	\$1.9 billion	–	n/a

BACKGROUND INFORMATION

Intergovernmental Relations Secretariat – Office of the Premier

Even in deficit years, the federal government collects tens of billions of dollars more revenue than it needs for its own direct expenditures, while provinces and territories collect tens of billions of dollars less in own-source revenue than they need for their expenditures. Major transfers reduce this fiscal imbalance.

The CHT is the largest transfer and is the primary vehicle for federal financial support for provincial and territorial (PT) health care programs, accounting for about 23 per cent of PT health care costs. Provinces and territories are obligated to follow the principles outlined in the *Canada Health Act* in providing health care.

After the expiry of the previous 10-year health agreement, growth in the CHT was legislated to drop from 6 per cent to a rolling three-year average of nominal GDP growth (for example, growth in the CHT in 2018/19 was calculated using the average of nominal GDP growth in 2016, 2017, and 2018).

After the 2015 election, the federal government attempted to negotiate time-limited and targeted health funding for mental health and addictions and home care and continuing care. Provinces and territories initially refused to agree unless changes were made to mitigate the legislated reduction in CHT growth. This culminated in a meeting of FPT Finance and Health Ministers in December 2016.

The federal government offer of \$3 billion over four years in targeted health funding was expanded to \$11 billion over 10 years, provided that provinces and territories agreed to further reduce annual CHT growth to 3.5 per cent.

While that meeting did not result in an agreement, over the months that followed all PTs signed bilateral agreements that provided for 10 years of targeted funding but without further reducing CHT growth. The CHT will provide an estimated \$9.2 billion over 10 years more than if CHT growth had been lowered to 3.5 per cent (estimated B.C. benefit: \$1.2 billion).

On March 20, 2018, the Parliamentary Budget Office (PBO) released a report titled *Federal Financial Support to Provinces and Territories: A Long-term Scenario Analysis*; the report stated that the federal government could afford to increase major transfer growth rates (such as increasing the CHT to cover 25 per cent of PT health care spending):

“PBO’s scenario analysis shows that by removing the growth caps for Equalization, the CHT and CST, the federal government could address fiscal disparities among the provinces and maintain its financial support for health care and social programs over the long term, without putting federal finances on an unsustainable path. That said, these changes would not be sufficient to put most provinces on a sustainable fiscal path.”

According to PBO’s *Fiscal Sustainability Report 2018*, released on September 5, 2018:

- The federal government is in a fiscally sustainable position, but provinces and territories collectively are not (Quebec is the only province that is fiscally sustainable, although B.C. is on the margin);
- Transfers will decline as a share of GDP, primarily due to 3 per cent CST growth;

BACKGROUND INFORMATION

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- Reduced federal transfers (as a share of GDP) “contribute to the deterioration in subnational government finances over the long term”; and
- Due to differences in ageing, health care cost pressures will not be distributed evenly across the country.

As of September 2018, population estimates back to 2012 have been revised based on the results of the 2016 Census. These revisions show B.C. having a larger share of Canada's population, and this will result in higher shares of the CHT and the Canada Social Transfer in 2017/18 and subsequent years. However, B.C.'s shares for 2012/13 through 2016/17 will not be recalculated based on the new population estimates, meaning that B.C. will never be compensated for more than \$500 million in federal underfunding over that period.

The CHT is allocated on an equal per capita basis. It has been estimated that if the CHT were allocated in a way that recognized the higher costs of providing health care to older populations, B.C.'s share would increase by an estimated \$150 million annually. Before the end of 2018, Statistics Canada will release population data with age and sex breakdowns based on the 2016 Census; that data will enable a more accurate estimate of the impacts across the country. In general, the provinces that would benefit would tend to be B.C., Quebec, and the Atlantic provinces; the province that would see the largest reduction in its share of CHT funding if based on age would be Alberta.

BACKGROUND INFORMATION

Intergovernmental Relations Secretariat – Office of the Premier

CONFIDENTIAL ADVICE TO THE PREMIER

PREPARED FOR: Premier John Horgan

MEETING: First Ministers' Meeting, December 6-7, 2018

ISSUE: Equalization

SCENARIO:

Equalization is not on the agenda of the FMM. s.13,s.16
s.13,s.16

SUGGESTED MESSAGES:

s.13

BACKGROUND:

The federal Equalization Program provides funding to provinces that have relatively low capacity to generate tax revenue due to lower incomes, weaker economies, and/or lack of resource revenue. To prevent provinces from "gaming" the results, the calculations are not based on each province's actual taxation rates but on how much each province could raise if its tax rates were set at the national average.

No province "pays into" Equalization; the program is funded out of general federal revenues. Federal revenues collected tend to be higher per capita in wealthier provinces, and that is largely a function of the federal government having a progressive tax system.

s.13,s.16

s.13,s.16

federal Finance officials had informed provincial counterparts about the timeline in fall 2017 and Finance ministers had been advised at their December 2017 meeting. Renewal changes were alluded to in the 2018 federal budget and included in the budget implementation legislation.

The renewed formula will be in place for the next five years. In December 2018, Minister Morneau will announce Equalization allocations for 2019/20, the first year of the five-year renewal period.

BACKGROUND INFORMATION

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Prior to the July 2018 Council of the Federation meeting,^{s.16}
s.16

(see chart and table below).

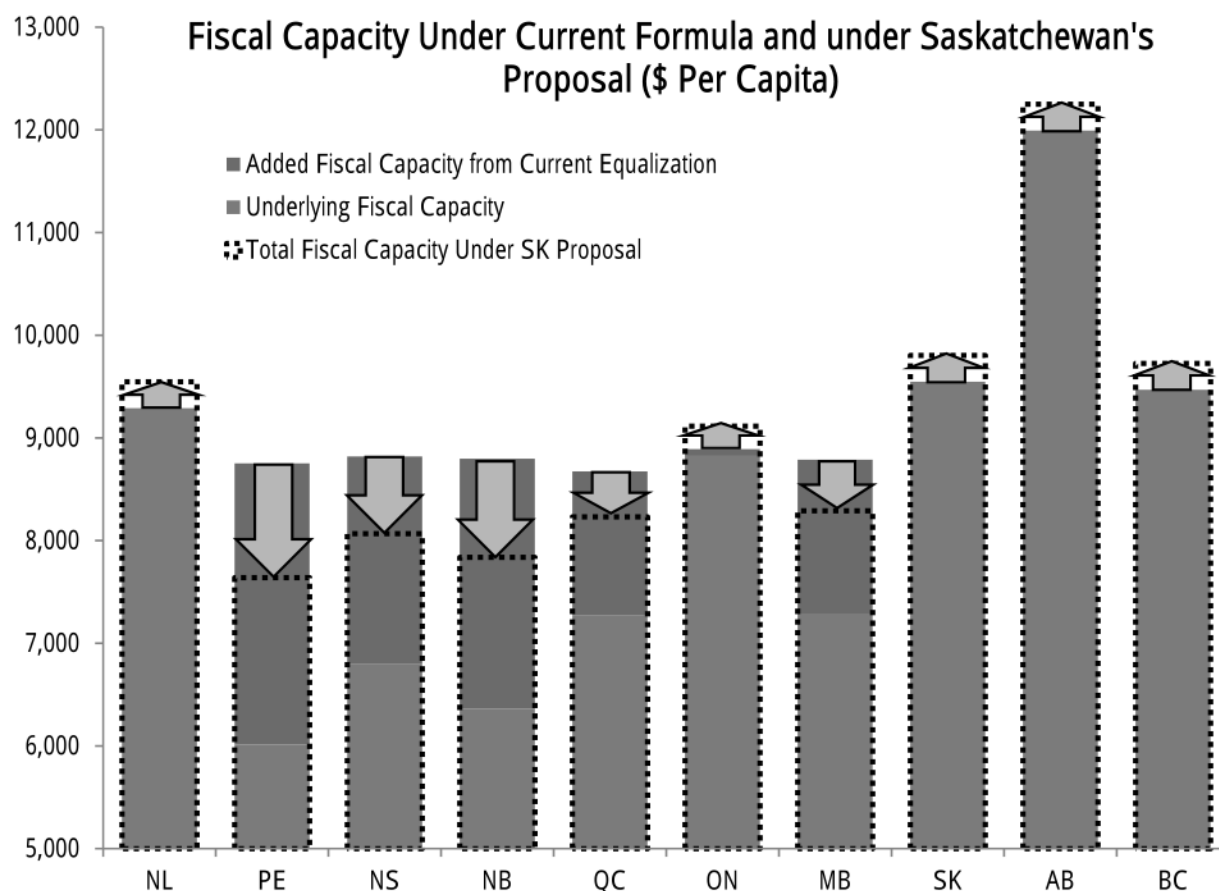
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There are other federal transfers that are allocated on an equal per capita basis – such as the Canada Health Transfer (\$38.6 billion) and the Canada Social Transfer (\$14.2 billion). Increasing the size or growth rate of one of these transfers would provide an equal per capita benefit to all provinces and territories.

BACKGROUND INFORMATION

Intergovernmental Relations Secretariat – Office of the Premier



Estimated Impact of the Saskatchewan Proposal on Equalization Entitlements

	<u>NL</u>	<u>PE</u>	<u>NS</u>	<u>NB</u>	<u>QC</u>	<u>ON</u>	<u>MB</u>	<u>SK</u>	<u>AB</u>	<u>BC</u>	<u>All</u>
Final Equalization Program Entitlements for 2018/19											
\$ Billion	0.0	0.4	1.9	1.9	11.7	1.0	2.0	0.0	0.0	0.0	19.0
\$ Per Capita	0	2,740	2,018	2,433	1,400	67	1,507	0	0	0	514
2018/19 Equalization Entitlements Under Saskatchewan Proposal											
\$ Billion	0.1	0.2	1.2	1.1	8.0	4.2	1.4	0.3	1.1	1.3	19.0
\$ Per Capita	257	1,627	1,266	1,474	957	291	1,011	257	257	257	514
Impact of Saskatchewan Proposal											
\$ Billion	+0.1	-0.2	-0.7	-0.7	-3.7	+3.2	-0.7	+0.3	+1.1	+1.3	0.0
\$ Per Capita	+257	-1,113	-752	-960	-443	+223	-497	+257	+257	+257	0

Court Cases and B.C. Reference

KEY POINTS

- The Saskatchewan and Ontario governments have referred the constitutionality of the federal *Greenhouse Gas Pollution Pricing Act* to their respective courts of appeal for a ruling on whether it is constitutional.
- B.C. is intervening to argue that *both* the federal and provincial governments have a role in addressing climate change. Although the legal issues are different, this is consistent with our position in the B.C. Reference that both federal and provincial laws can apply to interprovincial pipelines and railways.

Background:

The Supreme Court of Canada has repeatedly said environmental protection is a matter of shared federal/provincial jurisdiction. B.C.'s position in all three references is consistent with that principle.

B.C.'s position is that only the federal government can set an aggregate target of emissions for Canada as a whole. This requires setting minimum standards that will have to be met in every province and territory throughout the country. In B.C.'s view, the provinces have full jurisdiction to deal with greenhouse gas emissions within their borders as part of this federally-developed framework.

B.C. will be putting forward evidence that a failure to act on greenhouse gas pricing in other provinces can have a negative effect on it as a climate policy innovator. Harm to one province as a result of the inaction of others is a basis for federal jurisdiction, as is harm to Canada's international interests.

As a "backstop", the Federal *Greenhouse Gas Pollution Pricing Act* minimally intrudes on provincial authority. So long as its measures are sufficient, a province or territory can address greenhouse gas emissions within its borders as it thinks appropriate. B.C. says the backstop approach leaves maximal flexibility to the provinces, while ensuring a national minimum standard so Canada can meet its international commitments. It is consistent with how Canada has addressed other issues of mutual federal-provincial concern.

In the recent past (since 2000), the federal government has supported the constitutionality of Ontario's civil forfeiture law and British Columbia's immediate roadside prohibition law. Ontario (unsuccessfully) supported the Harper government's proposed national securities law.

MINISTRY OF JOBS, TRADE AND TECHNOLOGY

INFORMATION NOTE

Date: November 20, 2018

PREPARED FOR:**ISSUE:** Immigration issues to discuss with the federal government**BACKGROUND:**

Under the Constitution, immigration is a shared responsibility between the federal, provincial and territorial governments. The *Immigration and Refugee Protection Act (IRPA)* gives Canada sole responsibility for setting annual immigration levels targets and for the selection of new permanent residents. It also requires Canada to consult with the provinces and territories when setting national immigration levels and when planning measures to facilitate the integration of newcomers in Canadian society. The *Canada-BC Immigration Agreement* defines the roles and responsibilities of each order of government in relation to immigration in BC.

Each year, Immigration, Refugees and Citizenship Canada (IRCC) determines how many new immigrants will be granted permanent resident status and tables these targets in an annual Immigration Levels Plan. The Levels Plan focuses on meeting three objectives: 1) addressing economic and labour market needs; 2) reuniting families; and 3) fulfilling humanitarian commitments. In 2018 IRCC has a target of admitting 310,000 new immigrants nationally, and this number is planned to grow to 350,000 by 2021. The selection of economic immigrants is focused on high human capital and addressing skill and labour market shortages. Under the BC Provincial Nominee Program (PNP), the Province nominates specific economic immigrants to IRCC for admittance to Canada as permanent residents. Outcomes data shows PNP is a key tool to address BC's labour market needs.

In line with the planned increase to the number of new immigrants admitted each year, IRCC has budgeted for increased settlement services in the coming years. As a result, the amount of federal settlement funding spent in BC will climb from \$100.3M in 2019/20 to \$114M in 2021/22. While IRCC funds services only for immigrants (those with permanent resident status), BC funds \$12M/year in complementary services including services for temporary residents (e.g. refugee claimants, temporary foreign workers and international students).

DISCUSSION:

Maximizing the benefits of immigration to BC requires continued collaboration with the federal government. There are two issues that require discussion:

s.13,s.16

CONCLUSION

s.13,s.16

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