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Re: Global Affairs Canada and Heritage Canada Consultations Regarding  
Renegotiation of NAFTA

## Introduction

1. On August 14, 2017, the Canadian Interactive Alliance/Alliance Interactive Canadienne (“CIAIC”) shared with you the thoughts of its members on the impact of NAFTA on the Interactive Digital Media (“IDM”) sector and issues surrounding its renegotiation. In that correspondence CIAIC committed to providing Global Affairs Canada and Heritage Canada with further thoughts on the topic of extending the cultural exemptions to IDM after having consulted its member companies. Interactive Ontario (“IO”), a member of the CIAIC, has consulted its members and would like to provide you with additional thoughts on behalf of the Ontario IDM sector.
2. IO is the trade association that represents over 330 IDM companies in Ontario who create a wide variety of interactive digital media products and services including video games, Augmented Reality (AR), Virtual Reality (VR) and Mixed Reality (MR) products, cross-platform content, e-Learning, web series and mobile content.
3. The growing IDM sector now generated \$1.4 billion in GDP in Ontario in 2015 and includes roughly 877 businesses in Ontario<sup>1</sup>. The entire sector supports and creates an estimated over 10,000 high value full time equivalent jobs<sup>2</sup>. The industry is internationally-focused with 57% of the revenue of IDM companies derived from exports.

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<sup>1</sup> “Measuring Success: The Impact of the Interactive Digital Media Sector in Ontario”, published by Interactive Ontario, February 2017

<sup>2</sup> ibid

4. The Hon. Chrystia Freeland, Minister of Foreign Affairs, has expressed that one of the government's core objectives is to modernize NAFTA.<sup>3</sup> IO agrees as the IDM sector did not exist when NAFTA came into force in 1994. There are therefore provisions which should but do not consider this sector.
5. While there are many arguments for extending the cultural exemption within NAFTA to IDM, including ensuring that the government maintain its ability to support the IDM sector as creators of cultural products, IO is concerned that other parties to NAFTA could respond to such an extension by throwing up trade barriers to IDM such as domestic IDM content quotas. Rather than run the risk of restricting access to the U.S. market, IO instead advocates for a specific inclusion of IDM along with other industries excepted from limits on government subsidies (i.e. the Exceptions from Most-Favoured-Nations Treatment). IDM should be part of a general exception for digital media and technology to ensure that successful Innovation Science and Economic Development programs, such as the Scientific Research & Experimental Development Tax Credit and the Industrial Research Assistance Program, can be maintained as well as any programs under Canadian Heritage.
6. The renegotiation of NAFTA is a great opportunity to modernize the agreement to take into consideration the advancements of IDM. However, Canada must still maintain its ability to protect its domestic industry while supporting its international growth. We encourage Global Affairs Canada and Heritage Canada to navigate these waters carefully and keep the foregoing principles in mind.

Yours truly,



Christa Dickenson  
President and CEO

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<sup>3</sup>Hon. Minister Chrystia Freeland to the Standing Committee on International Trade on August 14, 2017 <http://www.ourcommons.ca/DocumentViewer/en/42-1/CIIT/meeting-74/evidence> retrieved November 27, 2017