



News Release

June 18, 2009 (5:30 p.m. EDT)
No. 167

Trade Agreement with Peru Opens Doors to Latin America

The Honourable Stockwell Day, Minister of International Trade and Minister for the Asia-Pacific Gateway, today announced that legislation to implement Canada's free trade agreement with Peru has been adopted by Parliament and received Royal Assent. This agreement will provide benefits to Canadian companies by eliminating tariffs on goods, promoting two-way investment and expanding access for Canadian companies in this key market.

"Ensuring free and open trade is vital to the international effort against the global recession. Canadians can count on our government to oppose protectionism and defend free and open trade on the world stage," said Minister Day. "This agreement with Peru will provide opportunities for Canadian companies looking to expand their business into Latin America. It will open new doors in key sectors such as extractive industries, manufacturing, agriculture and financial services—all areas in which Canadians have extensive expertise."

Canadian producers will benefit from the elimination of tariffs on exports into Peru. Many agricultural exports such as wheat, barley, lentils and peas will enjoy immediate duty-free access.

The legislation also involves parallel agreements on labour cooperation and the environment. The labour agreement commits Canada and Peru to respecting and enforcing standards such as the elimination of child and forced labour, freedom of association and the right to bargain collectively. The environmental provisions commit both countries to pursuing high levels of environmental protection, enforcing and maintaining their domestic environmental laws, and not relaxing

these laws to encourage trade and investment.

“These agreements will help increase prosperity, help provide better working conditions, and improve environmental management,” said Minister Day. “We recognize the progress made so far, and we will continue to engage Peru on these issues. This is another example of the government’s commitment to strengthening our relationships in Latin America.”

The Government of Canada is working to implement all three agreements as early as July 1, 2009.

In 2008, two-way merchandise trade between Canada and Peru reached \$2.8 billion. Peru is an important investment partner for Canada, with an estimated \$2.35 billion worth of Canadian investment stock in the country at the end of 2008.

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A backgrounder follows.

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Backgrounder

Canada-Peru Free Trade Agreement

The FTA will provide commercial benefits to Canadian and Peruvian businesses.

Benefits include:

Better market access through elimination of tariffs on goods

Immediately upon implementation of the FTA, expected July 1, 2009, Peru will eliminate tariffs on virtually all Canadian exports, with most remaining tariffs to be eliminated within five to ten years. Products that will enjoy immediate duty-free access to Peru include wheat, barley, lentils, peas and selected boneless beef cuts, as well as a variety of paper products, machinery and equipment.

Canada will immediately eliminate its tariffs on almost all Peruvian imports. The rest will be eliminated over a three- or seven-year period, with the exception of over-quota tariffs on dairy, poultry, eggs and refined sugar, which are excluded from tariff reductions.

Better market access for service providers

The FTA will provide enhanced and more secure market access in service sectors that are of interest to Canada, including mining, energy and professional services. Canada and Peru have also reached agreement on comprehensive disciplines for the financial services sector, including banking, insurance and securities. Both countries will engage their domestic professional bodies in discussions regarding the negotiation of mutual recognition agreements. Priority will be given to the engineering profession.

Promotion of two-way investment between Canada and Peru

The agreement incorporates the existing provisions of the Canada-Peru Foreign Investment Promotion and Protection Agreement (FIPA). It locks in market access for Canadian investors and provides them with greater stability, transparency and protection for their investments. Strong obligations are included that provide for the free transfer of capital related to investment, protection against expropriation without prompt and adequate compensation, and non-discriminatory treatment of Canadian investments. In addition, investors will have access to binding international arbitration to resolve disputes.

Better access to government procurement contracts

The FTA will give Canadian and Peruvian suppliers improved market access in the

area of government procurement. It guarantees Canadian suppliers the right to bid on a broad range of goods, services and construction contracts carried out by Peru's federal government entities. It will also ensure that practices remain transparent and fair for suppliers.

Other key provisions: trade-related cooperation, corporate social responsibility, corruption, and right to regulate

The FTA will contribute to each country's economic development by creating new market opportunities for exports of Peruvian goods and services, and by providing a more secure and stable environment for Canadian direct investment. As Peru is a developing country, many of its products already enter Canada duty-free; these products will have more secure access to Canadian markets. The FTA also acknowledges the developing-country status of Peru by allowing the phase-out of its tariffs on products over a longer period than Canada.

To complement Canada's development cooperation objectives with Peru, and to help Peru maximize the benefits of the agreement, the FTA includes a chapter on cooperation to facilitate trade-related capacity initiatives.

The agreement also encourages Canadian and Peruvian businesses operating within each other's borders to respect and follow internationally recognized corporate social responsibility standards, practices and principles.

The FTA reaffirms both countries' commitment to combat bribery and corruption and preserves the government's right to regulate and take the measures necessary to protect health, safety and the environment.

Labour cooperation agreement

The labour cooperation agreement negotiated with Peru is the strongest agreement that Canada has ever negotiated, and sets a new standard with regard to labour provisions in Canadian FTAs.

Through this agreement, Canada and Peru agree to ensure that their laws not only respect the International Labour Organization (ILO) 1998 Declaration on Fundamental Principles and Rights at Work—which covers the right to freedom of association and to collective bargaining, the abolition of child labour, the elimination of forced labour and the elimination of workplace discrimination—but also provide acceptable protections for occupational health and safety, hours of work, wages and

migrant workers.

Failure to respect ILO principles and enforce domestic laws is subject to penalties. Any penalties will be paid into a cooperation fund to be expended in the territory of the party complained against by ensuring that the identified problems are rectified. The labour cooperation agreement respects Canadian provincial jurisdiction on labour matters, while enabling Canada to immediately use the dispute resolution process.

Canada is committed to supporting Peru by providing \$1 million worth of labour-related technical assistance in the areas of enforcement of labour rights, labour inspections, occupational health and safety, and social dialogue. This cooperation programming will allow Peru to better meet its obligations under the labour cooperation agreement.

Agreement on the environment

The agreement on the environment commits Canada and Peru to pursuing high levels of environmental protection, enforcing their domestic environmental laws, putting in place procedures to assess environmental impacts, and not relaxing their environmental laws in order to encourage trade and investment. The agreement further encourages corporate social responsibility and reaffirms the parties' international commitments under the United Nations Convention on Biological Diversity.

Peru has some of the most diverse biological resources in the world, and Canada is committed to working with Peru to help protect and conserve these resources in a manner that respects, preserves and maintains the traditional knowledge, innovations and practices of indigenous and local communities.

For more detailed information, and for the complete text of the agreements between Canada and Peru, please visit www.international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/andean-andin/index.aspx.