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New Trade Agreement Eliminates Barriers and Opens Doors to European Markets

The Honourable Stockwell Day, Minister of International Trade and Minister for the Asia-Pacific Gateway, today announced that Canada's free trade agreement with the European Free Trade Association (EFTA) came into effect on July 1, 2009. Many Canadian exporters and producers will immediately benefit from duty-free access to the markets of Iceland, Liechtenstein, Norway and Switzerland.

"Increasing trade and investment is a priority, and our government continues to open doors for Canadian business," said Minister Day. "As we fight the global recession, this government is taking a strong stand against protectionism and moving forward with new free trade agreements."

Canada's Economic Action Plan includes a strong focus on helping Canadian businesses and investors succeed in the markets of the world. The ambitious trade agenda includes negotiations with a diverse array of countries and organizations in Europe, Asia, the Americas and the Middle East. Recently, Canada also successfully completed free trade negotiations with Peru and Colombia.

"This is Canada's first free trade agreement with European countries, and we have also taken the first steps toward an agreement with the European Union," added Minister Day. "By engaging more and more European partners, we can provide Canadian exporters with greater access to a growing list of the wealthiest and most sophisticated economies in the world."

Under the EFTA agreement, Canada's producers and exporters immediately benefit from the elimination of duties on all Canadian non-

agricultural merchandise exports. Tariffs will also be eliminated or reduced on selected Canadian agricultural exports such as durum wheat, frozen french fries, beer and crude canola oil.

As well, Canadian companies will benefit from improved market access to innovative technologies and other inputs from EFTA markets through the elimination of import duties on industrial goods, including machinery and scientific and precision instruments.

Together, the EFTA countries were Canada's seventh largest merchandise export destination in 2008. Canada exported \$4.2 billion in merchandise to the EFTA countries in 2008, with two-way merchandise trade valued at \$13.2 billion.

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A backgrounder follows.

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Backgrounder

Canada-European Free Trade Association Free Trade Agreement

The First of Many New Free Trade Agreements for Canada

Canada has an ambitious bilateral trade agenda.

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Canada's agreement with the European Free Trade Association (EFTA) is the first in a series of new free trade agreements (FTAs) to reach implementation. More are on the way.

The Canada-Peru FTA recently received Royal Assent, and the agreement with Colombia is being reviewed by Parliament. Minister of International Trade Stockwell Day signed an FTA with Jordan during his recent trip to the Middle East.

Canada has ongoing FTA negotiations with several countries, including South Korea, the Central America Four, or CA4 (El Salvador, Guatemala, Honduras and Nicaragua), the Caribbean Community, Singapore and the Dominican Republic. As well:

- On May 6, 2009, Canada and the European Union launched negotiations toward a comprehensive economic and trade agreement.
- Negotiations with Panama are expected to conclude in the near future.
- In January 2009, Canada and India announced the initiation of exploratory talks toward a comprehensive economic agreement.
- Canadian officials are discussing with their Moroccan counterparts the possibility of launching FTA negotiations.

The EFTA agreement is the first new FTA for Canada in six years. Canada also has existing FTAs in force with the United States and Mexico (the North American Free Trade Agreement), Israel, Costa Rica and Chile.

Canada-EFTA Free Trade Agreement

The Canada-EFTA FTA provides Canadian firms with increased access to some of the wealthiest and most sophisticated economies in the world, as well as a platform to tap into European supply and value chains.

Canada's agricultural producers and exporters will gain from the FTA with EFTA through eliminated or reduced tariffs on certain agricultural exports from Canada. The agreement also provides tariff reductions on a wide range of processed foods. For example, tariffs on the import of Canadian frozen french fries into Iceland are reduced by about 40 percent, and into Norway by 15 percent.

Tariff reductions on Canadian exports of agricultural products are expected to result in a net cost reduction of more than \$5 million per year, making these products more competitive in EFTA markets.

Canadian exporters and producers are expected to benefit considerably from the elimination of duties on all industrial products. For example, exporters and producers of cosmetic products, aluminum bars, and textile and apparel goods, which face duties ranging from 2 percent to 20.9 percent when exported to Switzerland, will see these tariffs reduced to zero.

For Canadian exports to Iceland, industrial products that faced relatively high tariff rates include prefabricated buildings, cathode ray tubes, steel structures, aluminum structures, and doors and windows. Canadian apparel exporters to Norway are also among the beneficiaries of this FTA.

The Canada-EFTA FTA eliminates tariffs immediately on all non-agricultural products with the exception of Canada's tariffs on sensitive shipbuilding products. These will be eliminated over 15 years for the most sensitive shipbuilding products and over 10 years for other sensitive shipbuilding products.

Canadian importers and manufacturers also benefit from more competitively priced production inputs resulting from the elimination of Canadian tariffs on goods from EFTA countries.

As a first generation agreement, this FTA focuses on liberalizing trade in goods. It provides flexibility for the parties to adopt provisions addressing services and investment at a later date.