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New Free Trade Agreement Opens Doors for Canadian Business in Iceland, Liechtenstein, Norway and Switzerland

The Honourable Stockwell Day, Minister of International Trade and Minister for the Asia-Pacific Gateway, announced today that the free trade agreement (FTA) with the states of the European Free Trade Association (EFTA)—Iceland, Liechtenstein, Norway and Switzerland—has received Royal Assent. The agreement is on track to come into effect on July 1, 2009.

“Trade is extremely important to Canada’s continued prosperity,” said Minister Day. “Implementing this agreement—the first free trade agreement Canada has ever completed with European countries—will open more doors for Canadian producers and exporters by increasing their access to the wealthy and sophisticated EFTA markets.”

Canada’s producers and exporters will benefit immediately from the elimination of duties on all Canadian non-agricultural merchandise exports upon entry into force of the FTA. 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 be able to access innovative technologies and other inputs from EFTA markets at lower costs, including through the importation of machinery and scientific and precision instruments.

“This agreement will provide not only a strategic opportunity for Canadian companies to tap directly into EFTA value chains, but also indirect access to the European Union,” said Minister Day. “The Government of Canada is committed to opening up new markets for Canadian business and expanding existing ones. During this period of extraordinary global economic challenges and uncertainty, it is more important than ever that we pursue international trade opportunities.”

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-EFTA Free Trade Agreement Implemented

On April 29, 2009, legislation to implement the free trade agreement (FTA) signed by Canada and the European Free Trade Association (EFTA) countries of Iceland, Liechtenstein, Norway and Switzerland received Royal Assent. Canada will provide official notification to its EFTA partners in order for the agreement to come into effect on July 1.

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. Two-way investment reached nearly $28.4 billion at the end of 2008.

Improved market access through elimination of tariffs on goods

Upon implementation, the Canada-EFTA FTA will eliminate tariffs 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 10 years for other sensitive shipbuilding products.

Exporters and producers are expected to benefit considerably from the elimination of duties on all industrial products. For example, exporters and producers of Canadian cosmetic products, aluminum bars, and some textile and apparel goods, which face duties ranging from 2.0 percent to 20.9 percent when exported to Switzerland, will see these tariffs reduced to zero upon implementation of this FTA.

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

Canada’s agricultural producers and exporters will gain from the free trade agreement with EFTA through the elimination or reduction of tariffs on certain agricultural exports from Canada. The agreement will also provide tariff reductions on a wide range of processed foods.

For example, tariffs on the import of Canadian frozen french fries into Iceland will be reduced by about 40 percent, and tariffs on these imports into Norway will be reduced 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 Canadian products more competitive in EFTA markets.

Canadian importers and manufacturers will 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.

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Canadian merchandise exports to EFTA countries: $4.2 billion (2008), including nickel, precious stones and metals, pharmaceutical products, base metals and mechanical machinery

Canadian merchandise imports from EFTA countries: $9.1 billion (2008), including mineral fuel and oils, pharmaceuticals, organic chemicals, mechanical machinery, and scientific and precision instruments