



PRESS RELEASE - The EFTA States and Canada sign Free Trade Agreement

Davos – 26 January 2008 – Ministers from the Member States of the European Free Trade Association (EFTA) - Iceland, Liechtenstein, Norway and Switzerland – and Canada signed a Free Trade Agreement today. The Agreement is expected to boost trade flows between EFTA countries and Canada.

David Emerson, Minister of International Trade from Canada, Ingibjörg Sólrún Gísladóttir, Minister for Foreign Affairs and External Trade from Iceland, Rita Kieber-Beck, Minister of Foreign Affairs from Liechtenstein, Annelene Svingen, Deputy Minister of Trade and Industry from Norway, and Doris Leuthard, Federal Councillor and Head of the Federal Department of Economic Affairs from Switzerland signed today a free trade agreement that will enhance access to each other's markets. This agreement, which is focussed on trade in goods, has the potential to yield significant benefits for exporters in all five countries. It provides new links between European and North-American supply and value chains. The negotiations were launched in 1998 and concluded in June 2007 after eleven rounds.

Two-way merchandise trade between the EFTA countries and Canada amounted to \$8.7 billion USD or \$10.7 billion CDN in 2006. This made Canada the fifth largest trading partner of the EFTA States and, taken together, the EFTA states represented Canada's eighth largest merchandise export destination in 2006. Preliminary data indicates that this trading relationship continued to grow in 2007. With the addition of Canada to EFTA's free trade network, the coverage of EFTA's worldwide trade in goods through free trade agreements will increase by one third, from 3.5% to 5.3%.

Canada and the EFTA countries are clearly significant economic partners. In 2006, Canada's main exports to the EFTA countries were nickel and articles thereof pharmaceutical products, and machinery and mechanical appliances. EFTA's main exports to Canada in 2006 were mineral fuels and oil, pharmaceutical products, organic chemicals, and machinery and mechanical appliances. Bilateral investment stocks reached over \$22 billion CDN in 2006.

About the Free Trade Agreement

The Agreement covers trade in industrial products, including fish and other marine products, and processed agricultural products. Basic agricultural products are covered by agreements concluded bilaterally between Canada and Iceland, and Norway, and Switzerland, at the same time as the Free Trade Agreement. Switzerland represents Liechtenstein for purposes of these bilateral agreements, which form part of the instruments establishing a free trade area between the Parties.

Consistent with World Trade Organization rules, the Agreement aims at liberalising and facilitating trade. Most industrial goods, including fish and other marine products, will benefit from duty-free access to the respective markets as of the entry into force of the Agreement. The elimination of barriers to trade and duty-free access to industrial products of each other's markets is expected to boost trade flows between Canada and EFTA countries.

The Agreement also includes references to existing WTO obligations in the areas such as services, investment and public procurement. General principles regarding competition law and policy are also set out in the

agreement. The Canada-EFTA Joint Committee, established by the Agreement, will supervise the application of the Agreement which also provides for binding arbitration.

Background information: Overview of areas covered by the Agreement

Trade in goods

Most industrial goods, including fish and other marine products, will benefit from duty-free access to the respective markets as of the entry into force of the Agreement. For ships, boats and floating structures imported into Canada, customs duties are to be eliminated after a transitional period of up to 15 years. The Agreement also provides for tariff concessions on processed agricultural products. Tariff concessions on selected basic agricultural products are covered by the bilateral agricultural agreements.

For the rules of origin, determining whether a product is eligible for preferential treatment, the Agreement adopts a hybrid of the Canadian and EFTA approaches. The Agreement also includes provisions on sanitary and phytosanitary measures and technical regulations in conformity with the relevant WTO Agreements.

Services and investment

The Parties recognise the ever increasing importance of trade in services and investment in their economies. They agree to work together to create the most favourable conditions for expanding investment and achieving further liberalisation and additional mutual opening of markets for trade in services whilst taking into account on-going work under the auspices of the WTO. They also agree to encourage the relevant bodies in their respective territories to co-operate with a view to achieving mutual recognition for licensing and certification of professional service suppliers. The Joint Committee shall review issues related to services and investment and consider the adoption of liberalisation measures no later than three years after the entry into force of the Agreement.

Competition

Parties agree that anti-competitive business conduct can hinder the fulfilment of the objectives of the Agreement. Accordingly, each Party shall adopt or maintain measures to prohibit such conduct.

The Parties also recognise the importance of co-operation and co-ordination on general issues relating to competition law enforcement policy.

Other common rules

The Agreement contains provisions on subsidies, anti-dumping, state trading enterprises and public procurement, which are in line with the respective WTO rules. The same is the case for exceptions and safeguards. Furthermore, the Agreement includes a provision on trade facilitation which is in conformity with relevant international instruments.

Institutional provisions

A Joint Committee is established which supervises and administers the Agreement and oversees the further elaboration of the Agreement. The Joint Committee may take decisions in cases provided for by the Agreement and make recommendations in other matters.

Dispute settlement

A chapter on dispute settlement contains rules and procedures for the settlement of disputes arising from the Agreement between one or more EFTA States and Canada.

About EFTA

EFTA, the European Free Trade Association, is an inter-governmental organisation established in 1960 for the development of economic relations between its Member States and for developing free trade relations between

its Members and other countries. Present Members include Iceland, Liechtenstein, Norway and Switzerland, representing a population of some 12 million people. EFTA's trade accounts for 2% of world merchandise trade, in addition to significant services trade and foreign investment.

The EFTA States have created one of the world's largest networks of free trade partners, while actively supporting the multilateral trade agenda. EFTA has concluded 16 free trade agreements with a total of 20 partner countries and territories around the world: Canada, Chile, Croatia, Egypt, Israel, Jordan, Korea, Lebanon, Macedonia, Mexico, Morocco, the Palestinian Authority, Singapore, the Southern African Customs Union (SACU), Tunisia and Turkey.

Negotiations are ongoing with the Gulf Co-operation Council (GCC), Algeria, Thailand, Colombia and Peru and are expected to start with India in the very near future. With Indonesia the feasibility of a Free Trade Agreement has been examined, and with Russia a joint study group to study the feasibility of a trade agreement has been established.

The EFTA States have signed Joint Declarations on co-operation with Albania, Algeria, Colombia, Mongolia, MERCOSUR, Peru, Serbia and Ukraine.

About Canada

With a population of 32.6 million people and a GDP in 2006 of \$1.45 trillion CDN, Canada is the 8th largest economy in the world. Leading global organizations such as the OECD recognize Canada as the strongest economic performer in the G7 in recent years and one of the best places in the world to invest and do business. A long-standing trading nation which stands as one of the main gateways into the 440 million-strong North American marketplace, Canada has embraced the knowledge-based economy and is today a world leader in innovation and technology.

The Government of Canada is aggressively pursuing a more robust trade negotiations agenda. In addition to pursuing multilateral trade and investment opportunities, Canada seeks competitive terms of access to global markets through various international policy tools, including free trade agreements and agreements in the areas of foreign investment promotion and protection, science and technology cooperation air services, taxation and regulatory cooperation.

Through renewed focus on trade and investment arrangements, Canada has recently secured a free trade agreement with the European Free Trade Association and Foreign Investment Promotion and Protection Agreements (FIPAs) with India and Peru.

Free trade agreements are also in place with the United States and Mexico, Israel, Chile and Costa Rica, and negotiations are underway with a number of countries and regions, including Korea, Colombia, Peru, the Dominican Republic, the Caribbean Community (CARICOM), and the Central America Four (El Salvador, Guatemala, Honduras and Nicaragua).

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