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# News Release

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October 9, 1998 (12:15 p.m. EDT) No. 241

## FREE TRADE NEGOTIATIONS WITH EFTA COUNTRIES TO OPEN TRANSATLANTIC TRADE BRIDGE

International Trade Minister Sergio Marchi today announced the launch of free trade negotiations with the countries of the European Free Trade Association (EFTA): Norway, Switzerland, Iceland and Liechtenstein. The first negotiating session will be held in Ottawa, October 14 to 16.

"These negotiations, when completed, will lead to the first transatlantic trade agreement between Europe and North America," Mr. Marchi said. "It is another significant example of this government's commitment to opening world markets for Canadian goods and services, with the aim of increasing exports and creating more jobs for Canadians."

The Minister noted that the government has consulted extensively on this initiative, and the negotiations are being undertaken with the support of a broad cross-section of Canadians.

The possibility of a Canada-EFTA free trade agreement was first raised in October 1997 by Prime Minister Jean Chrétien during a speech in London, England. Since then, exploratory meetings have been held between officials. Canada has also signed trade and economic co-operation arrangements with Switzerland, Norway and Iceland -- agreements that formed the framework for free trade negotiations with the EFTA.

An agreement with the EFTA would:

- reduce tariffs on exports of Canadian goods entering EFTA countries;
- put Canada on an equal footing with competitors that already have their own free trade arrangements with the EFTA;

- demonstrate the scope and potential for free transatlantic trade, thus complementing Canadian efforts to open markets in the 15-member European Union;
- enhance Canada's attractiveness as an investment location;
- complement and support Canadian efforts to remove trade barriers regionally and multilaterally; and
- offer the opportunity for more open and stable international investment rules and freer trade in services.

Canadian sectors that stand to benefit from a successful agreement include agricultural produce, lumber, machinery and a variety of manufacturing industries, ranging from plastic film and clothing to tents and motorcycles.

An agreement would benefit Canadian exporters by reducing tariffs on exports. Last year these exports were valued at \$1.2 billion, making the EFTA countries collectively the 15th-largest destination for Canadian exports (ranking between Mexico and Australia). Canada currently imports about \$4.3 billion in goods from the EFTA nations. EFTA countries are a source of \$4.7 billion in foreign investment. In turn, Canadian firms have invested about \$1.3 billion in EFTA.

"All four EFTA countries have highly developed economies and have in common with Canada a commitment to democratic government, human rights and a strong and free civil society," said

Mr. Marchi.

Mr. Marchi said any agreement reached would not interfere with vital Canadian interests, including Canada's ability to set policy in culture, health care, education, social programs, the environment, labour standards, supply management and natural resources management.

Negotiations could be concluded as early as mid-1999.

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A backgrounder is attached.

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This document is also available on the Department's Internet site:  
<http://www.dfait-maeci.gc.ca>

## Backgrounder

### PROPOSED CANADIAN TRADE AGREEMENT WITH THE EUROPEAN FREE TRADE ASSOCIATION (EFTA)

Trade between Canada and the EFTA countries (Norway, Switzerland, Iceland and Liechtenstein) was \$5.5 billion in 1997. Together they are Canada's 15th-largest destination for exports and a source of about \$4.7 billion in investment. This trade volume places EFTA countries, collectively, between Mexico and Australia in the ranks of Canada's trading partners. Two-way trade with EFTA countries is considerably larger than trade with Chile (\$717 million) and Israel (\$555 million), countries with which Canada has already negotiated free trade agreements. Canadian investment in the EFTA economies amounts to \$1.3 billion.

#### **Benefits**

A trade agreement would:

- reduce tariffs on exports of Canadian goods entering EFTA countries;
- put Canada on an equal footing with competitors that already have their own free trade arrangements with the EFTA;
- demonstrate the potential for free transatlantic trade, thereby complementing Canadian efforts to open markets in the 15-member European Union;
- enhance Canada's attractiveness as an investment location;
- complement and support Canadian efforts to remove trade barriers regionally and multilaterally; and
- offer the opportunity for more open and stable international investment rules and freer trade in services.

#### **Barriers the Agreement Will Help Eliminate: Examples**

### *Tariffs*

- EFTA duties could be reduced, or lifted entirely, on Canadian products already exported to the EFTA, such as wheat, fish products, aluminum ingots, mustard seed, soy beans, food preparations, potatoes and machinery parts.
- The reduction or elimination of EFTA duties would open up new export opportunities for Canadian products not currently exported to EFTA countries.
- A free trade agreement would open up new opportunities for joint ventures between Canadian and EFTA firms and for increased foreign direct investment.
- Clear origin rules and customs procedures could be developed to make the agreement easy for exporters to use.

### *Investment Rules*

- Transparent and predictable investment rules would give Canadian investors greater access to, and protection in, EFTA countries. Successful negotiations in this area would also enhance our efforts to further develop a framework of multilateral rules on investment at the World Trade Organization (WTO), similar to rules that we already have for trade in goods and services.

### *Services Rules*

- Canadian exporters of services would benefit from rules that would provide greater transparency, certainty, predictability and enhanced market access.

### **Canada's Position**

- Preliminary consultations have been held to discuss the possible framework and scope of an agreement.
- Canadian provinces, business associations, individual business interests and other groups, such as environmental and labour groups, have been advised of the government's plans, and their views have been actively sought on interests, objectives and sensitivities.
- In all negotiations, Canada will safeguard its vital interests in areas such as culture, health care, education, social programs, the environment, labour standards, programs for Aboriginal peoples, programs for minority groups and management of natural resources.
- Any agreement with the EFTA would be consistent with the rules of the WTO and the North American Free Trade Agreement (NAFTA). In fact, it would serve as one of several regional agreements that complement our efforts to improve world trade rules multilaterally under the auspices of the WTO.

### **Canada-EFTA Facts**

- In 1997, Canada exported goods valued at \$770 million to Norway, \$430 million to Switzerland and \$15 million to Iceland.
- In 1997, Canada imported goods valued at \$3.3 billion from Norway, \$929 million from Switzerland and \$75 million from Iceland.
- Leading Canadian exports to EFTA countries include agrifood, aluminum and machinery. Leading Canadian imports from EFTA countries include chemicals, watches, machinery, steel and fish products.

#### **The European Free Trade Association**

- The European Free Trade Association was formed in 1960 as a group of countries that sought freer trade but chose not to submit to the greater disciplines of the European Economic Community, now the European Union (EU). A number of original EFTA members, including the United Kingdom, Denmark, Portugal, Sweden, Finland and Austria have since joined the EU. Norway declined EU membership in 1995 in a referendum.