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# News Release

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**No. 21**

## **CANADA MARKS FREE TRADE MILESTONES WITH PERU AND THE EUROPEAN FREE TRADE ASSOCIATION**

The Honourable David Emerson, Minister of International Trade and Minister for the Pacific Gateway and the Vancouver-Whistler Olympics, today marked two important milestones toward the government's goal of increasing Canada's competitiveness in global commerce: the conclusion of free trade negotiations with Peru, and the signing of a free trade agreement (FTA) with the four countries of the European Free Trade Association (EFTA).

### **Canada-Peru: Conclusion of free trade negotiations**

Minister Emerson met with Mercedes Aráoz Fernández, Peruvian Minister of International Trade and Tourism, on the margins of the World Economic Forum in Davos, Switzerland, to mark the conclusion of negotiations toward a free trade agreement with Peru, which began in July 2007.

"Peru has emerged as one of the most dynamic economies in the Americas, supported by an aggressive commerce agenda and clear stance in favour of trade liberalization," said Minister Emerson. "This free trade agreement with Peru will further solidify our trade and investment relationship and open up opportunities for Canadian business in a range of sectors."

Peru will provide greater market access for a range of Canadian agricultural products, as well as paper products and machinery and equipment. Agreement has also been reached with respect to provisions on cross-border trade in services of interest to Canada in sectors including mining, energy and professional services.

Through this FTA, greater stability, transparency and protection for Canadian investments in Peru have been achieved, creating a more receptive environment for the rapidly growing stock of Canadian investment in Peru.

Provisions on the environment, biodiversity and corporate social responsibility are included in an environment agreement. In addition, for the first time in Canadian free trade negotiations, agreement has also been reached on a Trade-related Cooperation Committee to oversee capacity-building activities.

A Labour Cooperation Agreement, which includes enforcement obligations and associated penalties, has also been negotiated. "I have seen first-hand how Peru is committed to improving labour conditions in their country," said the Honourable Jean-Pierre Blackburn, Minister of Labour. "This comprehensive labour cooperation agreement sets a new standard in regard to labour provisions in Canada's free trade agreements."

In 2006, two-way merchandise trade between Canada and Peru totalled \$2.4 billion. Canada is also one of Peru's most important sources of foreign direct investment in the mining sector, and among the largest foreign investors overall, with an estimated \$2.9 billion of investment stock as of 2006.

The conclusion of a free trade agreement with Peru builds on Prime Minister Stephen Harper's commitment to revive and expand Canadian political and economic engagement in the Americas, which is a major foreign policy goal of the Government of Canada.

### **Canada-EFTA: Signing of Canada's first FTA with European countries**

Minister Emerson met with his counterparts from Iceland, Liechtenstein, Norway and Switzerland to sign a free trade agreement between Canada and the European Free Trade Association.

"Canada enjoys a close economic relationship with the countries of EFTA, which are among the wealthiest and most sophisticated economies in the world," said Minister Emerson. "This FTA will open up opportunities by bringing down trade barriers and by providing Canadian business a foothold in the heart of Europe."

The free trade agreement is Canada's first with European countries. It will provide a strategic platform that Canadian companies can use to tap into value chains all across Europe. Exporters will benefit through the reduction or elimination of tariffs, while importers will enjoy more affordable access to goods from the EFTA countries.

Canada announced the conclusion of negotiations with the EFTA countries in June 2007. For more information, see [New Free Trade Deal Caps Successful Year for Canada in Global Commerce](#).

The EFTA countries are significant economic partners for Canada. Taken together, this group represents Canada's eighth largest merchandise export destination. In 2006, two-way merchandise trade was valued at \$10.7 billion, while two-way investment reached more than \$22 billion.

### **Canada's global trade agenda**

Under Canada's [Global Commerce Strategy](#), the government is working to advance Canada's trade interests in key markets by opening up new opportunities for Canadian exporters, investors and innovators. The strategy includes an aggressive trade negotiation agenda, aimed at securing competitive terms of access in markets that offer significant potential for our products and expertise.

Canada is currently negotiating free trade agreements with several other countries or groups

of countries. Access to foreign markets is also being pursued through investment promotion and science and technology agreements.

Canada has FTAs with the United States and Mexico (NAFTA) and with Chile, Israel and Costa Rica.

The free trade agreements with EFTA and Peru will be subject to a new process announced by the Minister of Foreign Affairs that requires international treaties signed by Canada to be tabled in the House of Commons.

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Backgrounders are attached.

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## **Backgrounder**

### **CANADA-PERU FREE TRADE AGREEMENT**

On January 26, 2008, Canada and Peru announced the conclusion of negotiations toward a free trade agreement (FTA). This new agreement will open up new opportunities for Canadian business in Peru—by removing barriers to trade and investment—and help address the social dimensions of economic integration. Once in force, the FTA will provide several benefits to Canadians and Peruvians. Key elements of the agreement are described below.

## Trade in goods

- Peru will immediately eliminate tariffs on 94 percent of current Canadian exports, with the remaining tariffs to be eliminated over a 5- to 10-year period. Products that will enjoy immediate duty-free access to Peru, once the agreement is implemented, include wheat, barley, lentils, peas, selected boneless beef cuts, as well as paper products and machinery and equipment.
- Canada will immediately eliminate 97 percent of its tariffs on Peruvian exports, with the remaining Canadian tariffs to be eliminated over a three- or seven-year period.

## Trade in services

- An FTA will provide enhanced market access for service sectors of interest to Canada, including mining, energy and professional services.
- Canada and Peru have also agreed to comprehensive disciplines in the FTA for the financial services sector, including banking, insurance and securities. The development of these disciplines responds to those Canadian financial institutions that have identified Peru as a priority market, particularly in the banking sector.

## Investment

- Two-way investment flows between Canada and Peru will be promoted through stronger reciprocal commitments. The FTA will lock in market access for Canadian investors and provide them with greater stability, transparency and protection for their investments.
- Obligations will be included to ensure the free transfer of capital related to investment, protect against unlawful expropriation, and provide for non-discriminatory treatment of Canadian investments.
- Canadian investors will also be entitled to access international arbitration to resolve disputes.

## Government procurement

- The FTA includes a comprehensive chapter on government procurement that will give Canadian suppliers a guaranteed ability to bid on a broad range of goods, services and construction contracts carried out by Peru's federal government departments. It will also ensure that practices remain transparent and fair for suppliers.

## Labour

- The Labour Cooperation Agreement, which includes enforcement obligations and associated penalties, sets a new standard with respect to the labour provisions of Canada's free trade agreements.
- Canada and Peru have committed to ensuring their laws respect the International Labour Organization (ILO)'s Declaration on Fundamental Principles and Rights at Work of 1998, which covers the right to freedom of association and to collective bargaining, the abolition of child labour, the elimination of compulsory labour and the elimination of discrimination.

- Canada and Peru also committed to providing protections for occupational safety and health, as well as minimum employment standards such as minimum wages and overtime pay.
- Failure to respect ILO principles and enforce domestic laws is subject to penalties for violations. Any penalties accrue to a special fund to help strengthen conformity to enhance and enforce workers' rights.
- The Labour Cooperation Agreement continues to respect provincial jurisdiction on labour matters, but provides Canada with the ability to immediately use the dispute resolution process.

## Environment

- Canada and Peru have negotiated an Agreement on the Environment that will commit the parties to maintaining high levels of environmental protection and effectively enforcing domestic laws and policies.
- Negotiated provisions reaffirm the parties' international commitments under the Convention on Biological Diversity to strengthening protection of biological diversity and to respecting, preserving and maintaining the traditional knowledge of indigenous communities.
- Peru has some of the most diverse biological resources in the world. Canada is committed to working with Peru to help preserve its diverse biological resources in a manner that takes into account the interests of indigenous peoples.
- Canada and Peru also committed to promoting corporate social responsibility. This will help build new partnerships between the governments and companies operating in the region, with a view to promoting best practices in environmental stewardship.

## Trade-related cooperation

- Recognizing that trade-related cooperation can be a catalyst for necessary reforms and investments to drive economic growth and reduce poverty, Canada has agreed to work with Peru to help it maximize the opportunities and benefits stemming from the FTA.
- The agreement will include a distinct Trade-related Cooperation Chapter, which will create a Trade-related Cooperation Committee to oversee trade-related capacity-building activities associated with the FTA.

Canada announced the launch of negotiations toward an FTA with Peru on June 7, 2007 (see [News Release and Backgrounders](#)).

For more information, please visit: <http://www.international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/andean-andin/index.aspx>.

## Backgrounder

### CANADA AND EFTA COUNTRIES SIGN FREE TRADE DEAL

Canada and the European Free Trade Association (EFTA) countries of Iceland, Liechtenstein, Norway and Switzerland signed a free trade agreement (FTA) on January 26, 2008, in Davos,

Switzerland. The agreement will create greater trading opportunities for all parties by eliminating or reducing tariffs on a range of goods and agricultural products. The negotiations were launched in 1998 and concluded in June 2007.

### **Highlights of the agreement**

The Canada-EFTA free trade agreement provides for:

- The elimination of tariffs in all non-agricultural sectors including aluminum and cosmetics, prefabricated buildings, coldwater shrimp and apparel products.
- The elimination or reduction of tariffs on selected Canadian agricultural and agri-food products such as durum wheat, frozen french fries, beer and Canadian crude canola oil.
- Duty-free access to Canadian and EFTA markets for most industrial goods, fish and other marine products.
- Provisions on subsidies, anti-dumping, state-trading enterprises and public procurement in line with World Trade Organization rules.

### **Canada-EFTA commercial relationship**

- Two-way investment with EFTA countries: more than \$22 billion (2006).
- Two-way merchandise trade with EFTA countries: \$10.7 billion (2006).
- Canadian merchandise exports to the EFTA region: \$3.1 billion (2006) including nickel and articles thereof, pharmaceuticals, copper, machinery, precious stones and metals, electrical machinery, art and antiques, medical devices, other base metals, aluminum, aerospace, pulp and paper, and organic chemicals.
- Canadian imports from EFTA countries: \$7.6 billion (2006), including mineral fuel and oils (mostly crude oil), pharmaceuticals, organic chemicals, machinery, medical and optical instruments, and clocks and watches.

For further information, please visit: <http://www.international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/efta-aele.aspx?lang=en#2>.