

In September 1999, the EU Standing Plant Health Committee approved a three-year derogation for Canadian seed potatoes. The European Union published its decision in November 1999, which authorizes four member states (Italy, Portugal, Greece, Spain) to import seed potatoes originating from Canada for the next three seed potato marketing seasons or shipping periods (January 15, 2000 to March 31, 2000; December 1, 2000 to March 31, 2001; and again December 1, 2001 to March 31, 2002). Historically, Italy and Portugal are the only member states who take advantage of the derogation. For both the January-March 2000 and the January-March 2001 shipping period, Portugal was the only member state to use the derogation, and imported 282 tonnes and 100 tonnes, respectively, from Prince Edward Island. Canada will seek renewal of the derogation for the next seed potato marketing season, which begins in December 2002.

OTHER ISSUES

Government Procurement

Canadian suppliers do not have full access to EU public procurement opportunities in a number of sectors, including telecommunications equipment and services, transportation equipment and electric utilities. Particular barriers that serve to restrict access include standards, certification, qualification and local-content requirements. Canada is addressing these issues with the EU in the WTO Government Procurement Working Group to further reduce or eliminate tariff and non-tariff barriers.

Telecommunications

Canadian companies have benefited from ongoing liberalization of EU telecommunications regulatory frameworks, and are following closely the process of unbundling local loops in the European Union, including issues of costs, transparency and timeliness. In Germany, Canadian firms look forward to a new licensing regime that would implement a recent German Court decision to reduce current high up-front licensing costs to reflect actual administrative costs. They also welcome another recent German Court decision permitting resale of local network services and the requirement by the national regulator for more timely delivery of leased lines by the incumbent operator. While these decisions are important steps in improving the terms of access for competitors,

Canadian firms remain concerned that unless the regulator plays an equally strong role in ensuring their proper and timely implementation, delays will continue to frustrate competitors and the development of a truly competitive German market.

European Free Trade Association

The Government announced the launch of free trade negotiations with the European Free Trade Association (EFTA) countries on October 9, 1998. The EFTA comprises Iceland, Norway, Switzerland and Liechtenstein. In 2001, Canada exported \$1.3 billion worth of goods and imported goods valued at \$5 billion from the region. Foreign Direct Investment (FDI) from EFTA members into Canada in 2000 was more than \$7.4 billion, a 60% increase over the previous year.

This would be a "first generation" free trade agreement, and as such, would not include negotiations in the areas of services, investment, government procurement or intellectual property. It is expected to include some liberalization for agriculture, and new cooperation in trade facilitation and competition policy.

Agreement has been reached on most issues, and final discussions to resolve those still outstanding, such as the treatment of ships, offshore vessels and platforms used in oil and gas production, are under way.

Mutual Recognition Agreement

A Mutual Recognition Agreement (MRA) facilitates trade in regulated products by allowing manufacturers in the exporting party to complete the testing, inspection and certification requirements in their home territory. In July 2000, Canada signed three bilateral agreements (in one document) with Iceland, Liechtenstein and Norway on mutual recognition of conformity assessment of certain regulated products. The sectors covered are information technology and telecommunications equipment; electrical safety; electro-magnetic interference; medical devices; and good manufacturing practices for pharmaceuticals and recreational craft. The confidence-building period provided for under the MRA started in early 2001 and is continuing. These MRAs complement the Canada-EC MRA and the Canada-Switzerland MRA.