

maintained by Canada and the EU to facilitate trade while protecting human and animal health. The next step towards implementing the Agreement includes an audit of the current EU system and the establishment of the Joint Management Committee responsible for overseeing the provisions of the Agreement.

The Canada-EU Agreement will facilitate two-way trade involving some \$550 million in exports from Canada to the EU and \$250 million in imports from the EU to Canada.

Seed Potatoes

A derogation from EU phytosanitary requirements is required for continued Canadian seed potato access to the European Union. The annual derogation is based on requirements that Canada conduct stringent laboratory testing and certification of disease-free zones in Prince Edward Island and New Brunswick for all exports to the European Union. The particular pest of concern is Bacterial Ring Rot (BRR).

A derogation was approved in November 1998 for the January-March 1999 shipping period. Canada will be pursuing more timely approvals of annual derogations or a multi-year derogation with the EU.

Specified Risk Materials (SRM) Ban

In July 1997, the EU had proposed to ban the use of specified risk materials (SRMs) as a bovine spongiform encephalopathy (BSE)-related measure. The ban was originally intended to cover products of animal origin intended for food, feed and fertilizer as well as cosmetics, pharmaceuticals and industrial products, and would have applied to the manufacture of tallow and its derivatives.

In November 1998, the Commission released a draft of their new SRM proposal that categorizes countries on the basis of BSE risk. Canada has submitted information to the EU to substantiate our claim to be free of BSE.

In December 1998, the EU Council of Agriculture Ministers postponed for a third time the original SRM ban to January 1, 2000. Canada will continue to monitor the situation to ensure market access for tallow and its derivatives is not affected.

OTHER ISSUES

Government Procurement

The EU has only recently obtained compliance from Member States for implementing the legislative changes required to give effect to the WTO AGP. Full compliance with the procurement procedures has not been demonstrated. Access to EU markets in a number of sectors of interest to Canadian suppliers (including telecommunications equipment and services; transportation equipment and electric utilities) remains blocked. 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

The Agreement on Basic Telecommunications came into effect on February 5, 1998. As of that date, the EU's internal liberalization of telecommunications services will apply to all Members of the WTO. Canada will continue to monitor Member State implementation of GATS obligations, particularly with respect to interconnection and the ending of telecommunications monopolies.

EUROPEAN FREE TRADE ASSOCIATION

Overview

In an October 1997 speech in London, the Prime Minister indicated that Canada "would like to see a free trade agreement between Canada and European Free Trade Association". In 1998, two-way merchandise trade between Canada and the EFTA countries, Switzerland, Norway, Iceland and Liechtenstein, was valued at approximately \$5.46 billion. Two-way investment was valued at \$6 billion in 1997.

As first steps towards this goal, Canada signed Trade and Economic Co-operation Arrangements (TECAs) with Switzerland, Norway and Iceland. The fourth EFTA member, Liechtenstein, has a customs union with Switzerland and therefore is covered by the Canada-Switzerland TECA. These arrangements provide a framework for discussions on bilateral and multilateral issues of common interest. Using the TECAs as a basis for discussion, a number of