

A MRA with Iceland, Liechtenstein and Norway is expected to be signed in the first half of 2000. This will be a complement to the Canada-EU MRA and Canada-Switzerland MRA and will complete the coverage of all of the Western European nations subject to the Directives of the European Commission. All MRAs are virtually identical, with the exception of the MRA with Switzerland, which lacks the recreational craft sector.

RUSSIAN FEDERATION

Overview

The financial crisis in 1998 resulted in a drastic decline in Canada's merchandise exports to the Russian Federation — from \$379 million in 1997 to \$288 million in 1998 and \$166 million in 1999. Imports of goods from Russia to Canada declined 17 percent in 1999 to \$607 million. Most Canadian exporters have scaled back their activities in Russia, adopting a "wait and see" attitude. In 1999, the value of Canadian direct investment in Russia was estimated at some \$1.25 billion, principally in the mining and oil and gas sectors, and to a lesser extent, in food services and high technology.

The Russian economy is showing signs of recovery, although structural reform remains slow. Russia will continue to be a key strategic market for Canadian resource extraction, agri-food and the housing/construction materials sectors. The Canadian government is working to improve access to this important emerging market along three main tracks: through the bilateral Intergovernmental Economic Commission (IEC); accession negotiations on Russia's entry into the WTO; and negotiation of a new FIPA.

Bilateral

The Canada-Russia IEC was established in 1995 with a mandate to identify and resolve trade and investment irritants and obstacles that Canadian and Russian companies face in each other's markets. Sectoral working groups (focussing on oil and gas, agriculture, housing and construction, mining, the Arctic and the North and industry development in advanced technologies) work to enhance opportunities and market access for Canadian traders and

investors. Also under consideration are proposals to organize ad-hoc IEC events for the forestry sector, and to promote closer economic relations between Western Canada and the Russian Far East.

Canadian exporters face a multitude of product testing and certification standards before their products can enter the Russian Federation. Different products frequently require multiple certificates of conformity (e.g. fire, health, occupational safety), each issued by different, and sometimes competing, Russian regulatory authorities. Published information on these regulatory requirements is often difficult to obtain. Inconsistent application of customs procedures and lack of transparency on changes in duties, rules, export tariffs and licences also pose difficulties for Canadian exporters and investors.

Through the IEC and other bilateral initiatives, including technical cooperation, Canada is promoting reforms to the Russian tax code; dispute settlement and contract enforcement procedures; and policy frameworks for resource development. We have also pressed for the removal of numerous administrative barriers to trade and investment and for uniformity in the application and enforcement of laws and regulations.

WTO Accession

The Russian Federation applied to join the WTO in 1993. Canada is a member of the WTO working party charged with examining Russia's application and is holding bilateral discussions with the Russian Federation to advance the accession.

Canada has underlined its support for Russia's eventual membership in the WTO on commercially viable terms generally applicable to newly acceding Members. Russia's membership in the WTO will give Canadian traders and investors enhanced and more predictable access to this important market. It will also help to consolidate the economic transition process in the Russian Federation and will strengthen the multilateral trading system. Although much has been achieved in recent years, Russia has a great deal of work to do to bring its trade and economic system up to WTO standards. Canada will continue to press for increased transparency as well as for more open, secure and non-discriminatory market access for Canadian providers of goods and services.