

In December 1998, the EU Council of Agriculture Ministers postponed for a third time the original SRM ban, to January 1, 2000. In December 1999, the EU Commission announced a fourth postponement to March 31, 2000 to allow for a new proposal to be adopted. The new proposal is expected to class countries using the International Office of Epizootics (OIE) Code on BSE. Depending on BSE status, countries would be required to apply different measures with regard to the removal of SRMs. The new proposal would not apply to industrial, cosmetic or pharmaceutical products or to medical devices.

OTHER ISSUES

Government Procurement

The EU has only recently obtained compliance from Member States to implement the legislative changes required to give effect to the WTO AGP. Full compliance with the procurement procedures has not been demonstrated. Canadian suppliers still do not have access to EU markets 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

While the liberalization of the European market for telecommunications services progresses smoothly, Canadian companies have identified some problems. Over the last year, the Government has been monitoring German regulations regarding interconnection with the common carrier's network to ensure that costs and conditions remain in keeping with the spirit of the Reference Paper on Regulatory Principles. It is hoped that the EU's proposed licensing harmonization measures may help to solve the problems of cost. The EU has also identified several continuing barriers to new competitors in Germany, regarding the timeliness and transparency of the liberalization process.

EUROPEAN FREE TRADE ASSOCIATION

In 1997, the Prime Minister indicated that Canada would like to see a free trade agreement between Canada and the European Free Trade Association (EFTA). The EFTA comprises Iceland, Norway, Switzerland and Liechtenstein. Two-way merchandise trade was valued at \$5.1 billion in 1999 (Canadian exports: \$1.2 billion; imports \$3.9 billion). FDI from EFTA Members into Canada in 1998 totalled \$5.2 billion, concentrated in finance, insurance, chemicals, fish processing and onshore and offshore oil and gas development.

The Government launched negotiations with the EFTA countries in late 1998 following extensive consultations to gauge Canadians' interest and sensitivity toward such an initiative. The negotiations are supported by a broad cross-section of Canadians (business, the provinces and NGOs). The Government has consulted closely with stakeholders throughout the negotiations.

The Canada-EFTA FTA negotiations are at an advanced stage and are expected to be completed later this year. The eventual agreement is expected to focus primarily on tariff elimination and trade facilitation. It will not include new obligations in areas such as services, investment or intellectual property. The agreement will introduce a new concept in cooperation on competition policy and will launch cooperative work in the area of trade facilitation. It will be Canada's first transatlantic free trade agreement.

The initiative to conclude a free trade agreement with the EFTA countries is a clear example of Canada's firm commitment to trade and investment liberalization on all fronts. We believe that all trade and investment relationships will flourish through the negotiation of bilateral, regional and multilateral free trade agreements. Canada and the EFTA countries already have strong bilateral connections and a history of shared values and activities. The Canada-EFTA FTA will facilitate new areas of opportunity and cooperation bilaterally and will open channels for like-minded interaction in a wide range of multilateral fora. Also, the agreement stands to contain a competition chapter that will be progressive in terms of regional trade agreements.