

Canada-Europe economic relations to ensure that Canada is able to take full advantage of Europe's growing potential with respect to both trade and investment. Among other things, it called for free trade with Europe, and said that an aggressive campaign should be undertaken with European decision makers to convince them of its virtues. The Government in its response concurred with the report's assessment of Europe's importance for Canada. With respect to a Canada-EU Free Trade Agreement, the Government indicated that if both further study (i.e. work in addition to a tariff elimination study completed June 2001) and consultations reveal that a Canada-EU FTA is in Canada's interests, then Canada would launch the recommended steps with the European Union. Further analytical and consultative activity is under way.

Market Access Results in 2001

- In May 2001, the EU removed regulatory barriers to the import of Canadian ice wine. Negotiations were subsequently launched in November, which should improve market access for Canadian wine more generally.
- Canada and the EU have agreed on the equivalency of their respective legislation concerning the protection of data privacy. This agreement removes any potential threat to the free flow of data between the two jurisdictions.
- Representations to the Finnish government led them to review their application of EU regulations resulting in Canadian bivalve molluscs regaining their access to that market.
- In October, Canada and the EU successfully implemented the Recreational Craft Annex of the MRA, thus facilitating the entry of recreational craft into each other's territory.

Canada's Market Access Priorities for 2002

- Seek the elimination of export subsidies and maximum possible reduction or elimination of production and trade-distorting support, and an overall limit on the amount of domestic support through the World Trade Organization (WTO) agriculture negotiations.
- Continue negotiations of agreements that will improve market access for Canadian wine and spirits.
- Continue to press the EU for improved market access for cooked and peeled shrimp, including the relaxation of the requirement for further processing.

- Seek recognition of Canada's Bovine Spongiform Encephalopathy (BSE)-free status under the EU's risk management system.
- Engage the EU in an exploration of the advantages and disadvantages of a Canada-EU FTA.
- Continue with the confidence-building phase to enable implementation of the 1998 Canada-EU MRA.
- Encourage professional associations in Canada and the EU to work toward agreements concerning the mutual recognition of qualifications.

A number of barriers to trade exist in the EU that are of concern to Canada, particularly in the agriculture and natural resource sectors. In the wake of food-safety crises in the European Union, the European Commission and member state positions on consumer health and safety issues have grown more cautious, and factors other than scientific considerations appear to be growing in influence.

IMPROVING ACCESS FOR TRADE IN GOODS

Common Agricultural Policy and Subsidies on Agricultural Products

In March 1999, the EU heads of state approved Agenda 2000 EU Common Agriculture Policy (CAP) reform for the period 2000 to 2006. The approved policy was disappointing in that it resulted in only modest reductions to agriculture price supports, and allowed direct production-linked subsidies to remain, although many sectors will be subject to a mid-term review. As a result, the CAP will continue to restrict access to the EU market for most Canadian agricultural products and will distort third-country markets.

Canada will continue to closely monitor the Agenda 2000 reform and the mid-term reviews. Canada will also pursue the maximum possible reduction or elimination of production and trade-distorting support, and the elimination of all export subsidies through multilateral WTO negotiations on agriculture.

Wine and Spirits

Continued dialogue between Canada and the EU on issues related to trade in wine and spirits, including between leaders and ministers, has resulted in significant developments over this past year. First, Canada and the