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# REPORT ON BUSINESS

III TRADE

## Canada nears European trade treaty

Deal with non-EU bloc would put Ottawa back in race for global free-trade partners

BY STEVEN CHASE, OTTAWA

Canada is quietly entering the latter stages of free-trade talks with Norway, Switzerland, Iceland and Liechtenstein, a treaty that would

build on the \$11-billion of annual business already conducted with this 47-year-old economic bloc.

If concluded, this would be the first free-trade deal Canada has endorsed in nearly six years and the

first sign that Ottawa is serious about catching up in the global race to sew up preferential commercial partners.

The four countries negotiating with Canada make up the European Free Trade Association, a group of nations outside the European Union that recently declared they're confident a deal "could be concluded in the coming months."

Ottawa says talks have gone well and that a bill to support a deal will be submitted to Parliament once negotiations have wrapped up.

"Both sides have made significant progress," said Brooke Grant-ham, spokesman for the Department of Foreign Affairs and International Trade.

"Once the text of the agreement has been finalized, it will be signed

by the parties and proposed legislation will be introduced in the House of Commons," Mr. Grant-ham said.

A deal would be a boon for the Harper government, which would sell it as more proof — in addition to the Canada-U.S. softwood-dispute truce — that it succeeds where its Liberal predecessors have failed.

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## Foreign ship duty at heart of talks with European bloc

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One obstacle the Conservatives must overcome is fear about the impact of a deal on Canada's shipbuilding industry — the very hurdle that stalled late-stage talks in 2000 under then-prime minister Jean Chrétien's watch.

Under the Liberals, Ottawa was reluctant to scrap its 25-per-cent duty on foreign-made ships and wanted to retain the right to subsidize its domestic shipbuilding industry — a sticking point for Norway, an exporter of marine vessels.

Last fall, the Conservatives quietly resumed negotiations with the EFTA, amid speculation that they are prepared to scrap the tariff on foreign-built ships, perhaps phasing it out over a period of years.

Two rounds of talks have taken place, the most recent in Geneva in mid-January.

Mr. Grant-ham declined to discuss the fate of the foreign ship tariff in the talks, saying only that domestic shipbuilders have had their say on the issue. "Negotiators have consulted the Canadian shipbuilding industry and other interested stakeholders and are taking into account the concerns."

Claude Wild, deputy head of mission at the Swiss embassy in Canada, said that the EFTA trade talks were quite advanced when they were suspended years ago, and negotiators didn't have to reopen all the chapters when talks resumed last fall.

"[When] you have two rounds where you make progress, I mean you've got to be confident — but no deal is a deal until . . . the deal is done," Mr. Wild said of talks.

"Now we are waiting for the last progress to be made and hoping

### By the numbers

Two-way merchandise trade with select partners, 2005:

- Canada-U.S.: \$560.8-billion
- Canada-Japan: \$23.9-billion
- Canada-China: \$36.6-billion
- Canada-Mexico: \$17.9-billion
- Canada-Germany: \$13.5-billion
- Canada-France: \$7.5-billion
- Canada-South Korea: \$8.2-billion

Canada's trade with the EFTA:

- Norway**
  - We sell: ore, machinery, aircraft and aircraft parts
  - We buy: petroleum, machinery, fish and seafood, and metals.
- Switzerland**
  - We sell: aircraft, machinery, pharmaceuticals, precision instruments, telecommunications equipment and food products.
  - We buy: machine tools, organic chemicals, pharmaceuticals, high-quality plastics, automobile accessories, laboratory equipment, watches and cheese.
- Liechtenstein**
  - We sell: debt instruments.
  - We buy: tax-friendly financial services.
- Iceland**
  - We sell: vehicles, machinery and aluminium.
  - We buy: ships and boats, fish and seafood products, and machinery.

SOURCES: STATE OF TRADE 2006; DEPARTMENT OF FOREIGN AFFAIRS; INTERNATIONAL TRADE

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CLAUDE WILD, DEPUTY HEAD OF MISSION SWISS EMBASSY IN CANADA

that the texts can be finalized soon, but that's in the hands of the negotiators on both sides," Mr. Wild said.

Nations are scrambling to sign up free-trade partners as multicountry talks to liberalize international commerce flounder, from the World Trade Organization's Doha round to the stalled Free-Trade Area of the Americas project.

Canada has signed only one free-trade agreement in the last six years, with Costa Rica in 2001. By comparison, the U.S. Congress has approved seven deals with 12 countries over roughly the same period.

Canada's shipbuilding industry has been in decline for years and operates at only about one-third of its capacity today.

But the Shipbuilding Association of Canada estimates domestic demand for ships over the next 15 years will offer \$8.6-billion in potential work.

Critics believe the Tories will have to steer work to domestic shipyards to placate anger should they lower or scrap the tariff on foreign ships. New Democratic Party shipbuilding policy critic Peter Stoffer says the Conservatives are in for a fight if they hurt local shipyards.