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Canada Signs Free Trade, Labour Cooperation and Environment Agreements with Peru

The Honourable Helena Guergis, Secretary of State (Foreign Affairs and International Trade) (Sport), acting on behalf of the Honourable David Emerson, Minister of Foreign Affairs and International Trade, today met with Mercedes Aráoz Fernández, Peru's Minister of International Trade and Tourism, to sign the Canada-Peru Free Trade Agreement (FTA). This is the second FTA signed by Canada in 2008 and Canada's fourth FTA with countries of the Americas. Secretary of State Guergis was accompanied by the Honourable Jean-Pierre Blackburn, Minister of Labour, who signed the Canada-Peru Agreement on Labour Cooperation with his counterpart Mario Pasco Cosmópolis, Peru's Minister of Labour and Employment Promotion. Secretary of State Guergis also met with Antonio Brack Egg, Peru's recently appointed Minister of the Environment, to sign the Canada-Peru Agreement on the Environment on behalf of the Honourable John Baird, Minister of the Environment.

The signing ceremony was hosted by His Excellency Alan García Pérez, President of the Republic of Peru, at his official residence and workplace in Lima.

"The Government of Canada is committed to opening new markets for exporters, service providers and investors through our Global Commerce Strategy," said Secretary of State Guergis. "The signing of these trade, labour cooperation and environment agreements marks a significant step forward in Canada's relations with Peru, in keeping with Canada's commitment to re-engage in the Americas."

"The Labour Cooperation Agreement is a significant milestone for Canada and for Peru," said Minister Blackburn. "It is the beginning of a new relationship aimed at encouraging stronger and better-enforced labour laws. This agreement sends a strong and positive signal that the Government of Canada is working closely with our partners in the Americas to protect core labour standards and support good governance."

"Today's joint agreement on the environment is just one more example of how environmental protection and free trade can work hand in hand," said Minister Baird. "We look forward to working with our Peruvian counterparts on shared issues of concern, including climate change, clean air and improving biodiversity."

The Canada-Peru FTA will benefit exporters, service providers and investors in several sectors, including mining, manufacturing and agriculture. Peru will provide greater market access for a range of Canadian agricultural and industrial products. Provisions on cross-border trade in services will also benefit Canadian business in a variety of sectors, including mining, energy and professional services.

The agreement has also achieved greater stability, transparency and protection for investors, providing a more receptive environment for the rapidly growing stock of Canadian investment in Peru in key sectors such as oil and gas, mining, engineering and financial services.

The FTA also gives Peru improved market access to the Canadian market, which will help foster increased Peruvian economic growth and address problems of poverty and inequality. A chapter on trade-related cooperation, a first in a Canadian FTA, will be another catalyst for the reforms and investments necessary to drive economic growth and reduce poverty by assisting Peru in trade capacity-building.

The Canada-Peru Agreement on Labour Cooperation, which includes enforcement obligations and associated penalties, sets a new global standard in regard to the labour provisions of free trade agreements through strong protections for workers in both Canada and Peru. This agreement will not only strengthen worker protections, but also help ensure that competitors in other countries do not undercut Canadian enterprises by ignoring labour protections.

The Canada-Peru Agreement on the Environment commits the two countries to pursue high levels of environmental protection and corporate social responsibility, and to develop and improve their environmental laws and policies. The agreement includes key environmental obligations which require both parties to enforce their domestic environmental laws effectively and to refrain from relaxing those laws in order to encourage trade or investment. Through this agreement, Canada is also committed to working with Peru to help protect and conserve biological diversity in a way that respects the interests of indigenous peoples and local communities.

Canada will work with the new Peruvian Ministry of the Environment to advance the objectives of this agreement.

Negotiations toward an FTA with Peru were concluded in January 2008. The signing of the agreement builds on Prime Minister Stephen Harper's commitment to re-engagement in the Americas, which is a major foreign policy goal of the Government of Canada.

In line with its Policy on Tabling of Treaties in Parliament, the government will table the agreements in the House of Commons for a period of 21 sitting days. Following this 21-day review, the government will introduce legislation to implement the treaties, aiming for the agreements to enter into force by January 1, 2009.

In 2007, two-way merchandise trade between Canada and Peru totalled \$2.45 billion. The accumulated stock of Canadian investment in Peru was estimated at almost \$1.8 billion.

Under Canada's Global Commerce Strategy, the government is working to advance the country's trade interests in key markets by opening up new opportunities for Canadian exporters, investors and innovators. The Strategy includes an aggressive agenda of trade negotiations that aims to secure competitive terms of access in markets that offer significant potential for our products and expertise.

For more information, please visit:

www.international.gc.ca/commerce/strategy-strategie/index.aspx?lang=en.

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A backgrounder follows.

For further information, media representatives may contact:

Lynn Meahan
Press Secretary

Office of the Minister of Foreign Affairs and International Trade and Minister for the Pacific Gateway and the Vancouver-Whistler Olympics

613-992-7332

Trade Media Relations Office
Foreign Affairs and International Trade Canada
613-996-2000
www.international.gc.ca/index.aspx

Michael Winterburn
Office of the Minister of Labour
819-953-5646

Media Relations Office
Human Resources and Social Development Canada
819-994-5559

Environment Canada Media Relations
819-934-8008
1-888-908-8008

Backgrounder

Canada's Free Trade, Labour Cooperation and Environment Agreements with Peru

On May 29, 2008, Canada signed a free trade agreement (FTA), a labour cooperation agreement and an environment agreement with Peru.

Canada-Peru Free Trade Agreement

The free trade agreement will provide commercial benefits to Canadian and Peruvian business. Benefits include:

Better market access through elimination of tariffs on goods

Immediately on implementation of the FTA, Peru will eliminate tariffs on 95 percent of current Canadian exports, with the remaining tariffs to be eliminated over a five- to ten-year period. Products that will enjoy immediate duty-free access to Peru include wheat, barley, lentils, peas and selected boneless beef cuts, as well as a variety of paper products, machinery and equipment.

Canada will immediately eliminate 97 percent of its tariffs on Peruvian imports. The rest will be eliminated over a three- or seven-year period, with the exception of over-quota tariffs on dairy, poultry, eggs and refined sugar, which are excluded from tariff reductions. For refined sugar, a tariff-rate quota will apply.

Better market access for service providers

The FTA will provide enhanced market access in service sectors that are of interest to Canada, including mining, energy and professional services. Canada and Peru have also reached agreement on comprehensive disciplines for the financial services sector, including banking, insurance and securities. Both countries will engage their domestic professional bodies in discussion regarding the negotiation of mutual recognition agreements. Priority will be given to the engineering profession.

Promotion of two-way investment between Canada and Peru

The agreement includes existing provisions in the Canada-Peru Foreign Investment Promotion and Protection

Agreement, and will lock in market access for Canadian investors and provide them with greater stability, transparency and protection for their investments. Strong obligations are included to ensure the free transfer of capital related to investment, to protect against unlawful expropriation and to provide for non-discriminatory treatment of Canadian investments. In addition, investors will now have access to binding international arbitration to resolve disputes.

Better access to government procurement contracts

The FTA will give Canadian and Peruvian suppliers improved market access in the area of government procurement. It guarantees Canadian suppliers the right to bid on a broad range of goods, services and construction contracts carried out by Peru's federal government entities. It will also ensure that practices remain transparent and fair for suppliers.

Maximized opportunities through trade-related cooperation

The Canada-Peru FTA will contribute to Peru's economic development by creating new market opportunities for exports of Peruvian goods and services, and by providing a positive environment for Canadian direct investment. As Peru is a developing country, many of its products already enter Canada duty-free; these products will have even better access to Canadian markets. The FTA acknowledges Peru's developing country status in several ways, such as by allowing it to phase out its tariffs on products over a longer period than Canada.

To complement Canada's development cooperation objectives with Peru, and to help maximize the benefits of the agreement, Canada and Peru have agreed to a chapter on trade-related cooperation to facilitate trade-related capacity initiatives. These efforts aim to strengthen Peru's ability to maximize the agreement's benefits.

Promotion of corporate social responsibility and anti-corruption measures

The agreement encourages Canadian and Peruvian businesses operating within either country's borders to respect and follow internationally recognized corporate social-responsibility standards, practices and principles. The FTA also includes measures designed to combat bribery and corruption.

Canada-Peru Agreement on Labour Cooperation

The Agreement on Labour Cooperation, which includes enforcement obligations and associated penalties, sets a new global standard in regard to the labour provisions of a free trade agreement. Canada is also offering its resources and expertise to help Peru fully implement this agreement and will roll out a \$1-million technical cooperation program in the labour area over the next few months.

Through this labour cooperation agreement (LCA), Canada and Peru commit to ensuring that their laws respect the International Labour Organization (ILO) 1998 Declaration on Fundamental Principles and Rights at Work. To further protect workers, Canada and Peru have also committed to protections for occupational health and safety and to minimum employment standards such as minimum wage and hours of work. Migrant workers will have the same legal protections as nationals in their working conditions. The agreement also includes a clause to prevent either country from weakening or reducing its domestic labour protections to encourage trade or investment.

Canada and Peru are obligated to respect the LCA, which includes an open and robust complaints and dispute resolution process. Failure to respect ILO principles and to enforce domestic laws is subject to penalties. If those obligations are not respected, the offending country may have to pay up to \$15 million in any one year into a cooperation fund, which will be used to resolve issues identified through the dispute resolution process.

For more information on the ILO's Declaration on Fundamental Principles and Rights at Work, please consult:

www.ilo.org/dyn/declaris/DECLARATIONWEB.ABOUTDECLARATIONHOME?var_language=EN

Canada-Peru Agreement on the Environment

The Canada-Peru Agreement on the Environment commits both countries to pursue high levels of environmental protection and to strive to develop and improve their environmental laws and policies. The agreement also includes key obligations that require the two countries to comply with and effectively enforce their domestic environmental laws and refrain from relaxing these laws to encourage trade or investment.

The agreement reaffirms both countries' commitments under the United Nations Convention on Biological Diversity to strengthen the protection of biological diversity and to respect, preserve and maintain traditional knowledge, innovations and practices of indigenous and local communities. Peru has some of the most diverse biological resources in the world, and Canada is committed to working with the country to help protect and conserve these resources in a manner that respects the interests of indigenous peoples and local communities.

The signing of the Canada-Peru Agreement on the Environment comes soon after the creation of the new Peruvian Ministry of the Environment, which will oversee the implementation of this agreement in Peru. Both parties have committed to addressing matters that arise under the agreement in a cooperative manner, through consultations and the exchange of information. Should this fail to resolve the matter, the parties may request consultations at the ministerial level.

For more detailed information on the Convention on Biological Diversity, please consult: www.cbd.int

For more detailed information, and for the complete text of the agreements between Canada and Peru, please visit:

www.international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/andean-andin/index.aspx