

**PRESS RELEASE
FROM
THE MINISTRY FOR FOREIGN AFFAIRS AND EXTERNAL TRADE**

H.E. Mr. Davíð Oddsson, Minister for Foreign Affairs, and H.E. Mr. Bo Xilai, Minister for External Trade of The People's Republic of China, have signed an Agreement between the two countries, a prelude to negotiations for free trade. According to the Agreement a joint feasibility study will be conducted in preparation for a Free Trade Agreement between the countries, Iceland being the first European country with which China concludes such an Agreement. Icelandic Businesses have promoted their relations significantly with Chinese counterparts in recent years, especially after the opening of an Icelandic Embassy in Beijing in 1995. The Ministry for Foreign Affairs and the Icelandic Embassy in Beijing have made an effort to help Businesses to find their way into the Chinese market, by way of direct assistance rendered by Trade Counsellors and by creating a network of Agreements with China, the present Agreement being a detail of that endeavor.

A feasibility study entails the collection of information on commercial interests, legal environments and investment and service opportunities, which have bearing on the forthcoming free trade negotiations between the countries. Furthermore, the feasibility study will be the basis for the free trade negotiations once they open. The Agreement also includes a declaration stating that Iceland acknowledges China's status as a market economy. This entails that Iceland will not implement escalating authorisations to take safeguard measures against Chinese import, which was granted by the Agreement on China's accession to the World Trade Organisation (WTO), but that Iceland continues to have the same authorisations vis-à-vis China as vis-à-vis other Member States of the World Trade Organisation.

In general, Iceland has concluded Free Trade Agreements at EFTA level in cooperation with Switzerland, Norway and Liechtenstein. The present Agreement is, on the other hand, a bilateral Agreement between Iceland and China. At a later stage discussions will be held at EFTA level about future participation of the other EFTA-States.

The Ministry for Foreign Affairs and External Trade

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