



## 2 Canada's Trade in Goods and Services

### IMPROVING ACCESS FOR TRADE IN GOODS

Trade is a key engine driving Canada's economy. Our current and future growth and prosperity depend on open world markets and a stable, predictable and transparent trading environment. To that end, the Government of Canada aggressively pursues improved market access for trade in goods through negotiations at the bilateral, regional and multilateral levels. In the non-agricultural market access negotiations under way at the World Trade Organization (WTO), for example, the Government is seeking the reduction or elimination of tariffs. In agriculture, the Government continues to press for a more level international playing field, so that Canada's producers and processors can compete more effectively in global markets. In particular, Canada seeks the elimination of all forms of export subsidies, substantial reductions in trade-distorting domestic support, and real and significant market access improvements. In the development of common rules of origin for non-preferential trade, the Government's objectives are to achieve common rules that provide transparency and certainty for traders and that reflect the global nature of the production and sourcing of goods and materials. Canada is also pursuing an ambitious market access agenda through its regional and bilateral trade initiatives. Details on each of these initiatives are outlined in the relevant geographic sections of this document.

Another priority for Canada in its discussions at the WTO is to secure strong and binding rules on trade facilitation by building on existing WTO obligations (General Agreement on Tariffs and Trade Articles V, VIII and X) that maximize transparency and streamline customs procedures. The Government also monitors the trade remedy laws and practices of Canada's key trading partners and makes representations to foreign authorities, where appropriate. Such interventions address matters related to policies or practices that could hurt Canadian exporters in ongoing or future trade remedy cases. As well, the Government provides Canadian exporters involved in trade remedy investigations with information and advice. And in

countervailing duty cases involving federal programs, the Government is a respondent and therefore actively involved in the investigation. At the WTO, Canada is pursuing improved disciplines on subsidies, greater transparency in the use of trade remedies by our trading partners, and clearer rules aimed at increasing predictability during investigations.

### Softwood Lumber

The current dispute began in April 2001 when a group of U.S. lumber producers alleged that they were being injured by subsidized and dumped imports of softwood lumber from Canada. In May 2002, the U.S. Department of Commerce imposed a combined countervailing and anti-dumping duty rate of 27.22% on Canadian softwood lumber imports. The combined rate was lowered in December 2004 to 20.15% and again in December 2005 to 10.8%.

On April 27, 2006, the Prime Minister announced that Canada and the United States had reached an agreement in principle that will resolve the softwood lumber dispute and provide immediate economic benefits to Canada. For example, when lumber prices are over US\$355 per thousand board feet—as they are at present—no restrictions on Canadian exports will apply. The agreement will also see some 80% of duties (approximately US\$4 billion) returned to Canada. The agreement, which will last for seven years, will provide stability and certainty to the Canadian lumber industry, as well as freedom from U.S. trade action. A final agreement, which will require drafting of legal texts, is expected to be completed by the summer of 2006. With this agreement in place, Canada and the United States will be able to direct their full attention to building a stronger, more competitive North America.