

all forms of export subsidies. Canada and many other WTO members take the view that we also need to address the export subsidy elements of other forms of export assistance, such as export credits, market promotion and development activities, and certain types of food aid. Canada also remains concerned about the possibility of increased use by the United States of export subsidies in third-country markets for certain commodities.

### **Country-of-Origin Labelling**

The Farm Bill creates new country-of-origin labelling requirements for beef, lamb, pork, fish, perishable agricultural commodities and peanuts sold at U.S. retail outlets. The legislation sets out very restrictive criteria that must be met before covered commodities can be labelled as originating in the U.S. Guidelines for an interim two-year voluntary period came into effect on October 11, 2002. These guidelines are scheduled to become mandatory as of September 30, 2004.

The new U.S. legislation requires U.S. retailers to display country-of-origin information at the final point of sale to consumers for all (imported and domestic) covered commodities. Canada maintains that the law is fundamentally flawed and places onerous costs on industry with no real consumer benefits. Country-of-origin labelling may also result in price distortions that would hurt all sectors of the red meat industry, and compliance costs could reduce the North American industry's competitiveness on world markets by increasing its overall cost structure. The Canadian government, in partnership with provinces, industry and U.S. allies, will continue advocacy efforts in the U.S. in order to build awareness of the disruption that the country-of-origin labelling provision will cause should it become mandatory and to urge that the provision be repealed.

### **Sugar-Containing Products Monitoring Process**

Over the last several years, Canada has intervened with the U.S. Administration and members of Congress to express concerns over U.S. attempts to legislate increased trade restrictions on sugar syrups and sugar-containing products. Of particular concern was the proposed Breaux-Thomas amendment attached to the 2002 U.S. Trade Promotion

Authority Bill. This amendment would have granted clear legal authority to the Secretary of Agriculture to halt imports of products deemed to be produced solely to circumvent U.S. customs law without regard to due process or U.S. international trade obligations.

The final provisions in the 2002 Trade Act did not include language enabling the Administration to halt imports of products deemed to be circumventing U.S. customs law. Instead, the Act directs the Secretary of Agriculture and the Commissioner of Customs to establish a monitoring program to identify existing or likely circumvention of the tariff rate quotas in Chapters 17, 18, 19 and 21 of the Harmonized Tariff System. These chapters cover a wide range of products including cocoa preparations, sugar confectionery, cereal preparations, pastry cooks' products, soups, sauces and ice cream. The Secretary and Commissioner are to report their findings to Congress and the President, including information on developments and trends in trade in the covered products, as well as indications of possible circumvention. The Secretary and Commissioner will also include recommendations for ending such circumvention.

We will watch the implementation of this monitoring system closely, to ensure that Canadian interests are protected.

### **Rules of Origin**

On January 1, 2003, Canada and the United States implemented measures to liberalize the NAFTA rules of origin applicable to seven products, including alcoholic beverages and petroleum/topped crude oil. The changes will become effective in Mexico following ratification by the Mexican Senate later in 2003. These changes, requested by industry associations in Canada, the United States and Mexico, will make it easier for exporters to meet the rules of origin and benefit from duty-free treatment under NAFTA. This will increase the competitiveness of Canadian exporters, in particular the petroleum industry, which exported over \$4 billion worth of petroleum oils to the United States in 2001.