including Helms-Burton, is inconsistent with certain provisions of the General Agreement on Tariffs and Trade and the General Agreement on Trade in Services. The case should be concluded within six to eight months, provided the United States does not attempt to frustrate the process by using the national security exception.

Canada intends to continue to oppose the Helms-Burton Act in other international fora as well, including the Organization of American States (OAS), the Organization for Economic Co-operation and Development (OECD) and in the Multilateral Agreement on Investment (MAI) negotiations.

Sugar and Sugar-Containing Products

When the United States implemented its WTO commitments in 1995, it split the formerly combined raw and refined sugar quota and established a tariff rate quota of 22 000 tonnes on refined sugar from all sources, including Canada. Canadian exports of refined sugar to the United States had not been subject to any restriction from 1990-94. As a result of this change, Canada's exports of refined sugar to the United States have fallen from an average of 35 000 tonnes in the early 1990s to 3000-5000 tonnes in 1996.

The United States also maintains effective limitations on the import of a wide range of sugar-containing products through tariff rate quotas (TRQs). A number of previously unrestricted products, most prominently crystal drink mixes, were added to the list of products subject to the U.S. TRQs in the implementation of the U.S. WTO commitments in 1995. Together, these measures have led to a 50% reduction in Canadian market access for certain sugar-containing products to the United States. Canada continues to press the United States to increase access for sugar and sugar-containing products, however, a short term resolution is unlikely due to the results of the panel on the tariffication of dairy and poultry goods.

As well as maintaining import restrictions on sugar and certain sugar-containing products, the United States operates a price support program for sugar, which ensures that U.S. domestic prices remain at levels significantly above world market prices. In addition, the United States administers a re-export program that allows U.S. refiners to import world price sugar for re-export as refined sugar. This program allows U.S. refiners cheaper world price sugar without compromising domestic prices. The NAFTA provides for the elimination of this re-export program for sugar-containing products as of 1996, but the United States has not yet terminated the program. Although Canada has indicated that a negotiated solution is preferred, Canada is proceeding with the NAFTA dispute settlement provisions.

Softwood Lumber Agreement

On April 2, 1996, Canada and the United States reached an agreement by which the United States made an unprecedented commitment not to launch any trade actions on softwood lumber exports from Canada for the next five years. In return, Canada has agreed that softwood lumber exports to the United States originating from British Columbia, Quebec, Ontario and Alberta that exceed 14.7 billion board feet a year will be subject to a US$50 per thousand board feet border fee for the first 650 million board feet, and US$100 per thousand board feet for greater quantities. No fee will be charged on shipments below 14.7 billion board feet, which is higher than the average annual level of exports of softwood lumber from those four provinces over the years 1992 to 1994. The export fee will not apply to exports from Manitoba, Saskatchewan or the Territories, whose exports will be unaffected by the agreement. Canada, in conjunction with the Maritime provinces and Newfoundland, has reached an understanding with the United States that maintains their traditional exemption.

The allocation system implemented by Canada distributes among companies both the fee-free export levels of 14.7 billion board feet, and the 650 million board feet carrying a fee of US$50 per thousand board feet. In addition, the Agreement also provides for an increase in exports of 92 million board feet without fee for each calendar quarter when the average price exceeds US$405 per thousand board feet. For each of the first three calender quarters of the Agreement, Canada has benefitted from increases in exports without fee. The strong U.S. housing market has driven up lumber demand, which is reflected in high prices (US$500 per thousand board feet, Great Lakes delivered, as of March 1, 1997, compared to US$355 a year earlier.)