

A study by the U.S. Department of Agriculture on COL of imported meat, released January 13, 2000, states that COL is certain to impose costs and is uncertain to produce benefits.

Hold and Test

Shipments of Canadian agri-food products are occasionally subject to long delays before they can be released for sale in the United States due to the U.S. Food and Drug Administration's hold and test policy. The U.S. FDA regularly holds agri-food shipments imported into the United States, pending the results of laboratory testing for compliance with U.S. food laws and regulations. Delays resulting from the FDA's testing procedures are trade-disruptive and costly for Canadian exporters. Canadian officials met with U.S. counterparts on January 31, 2000 to reach a solution. As a result of that meeting, Canadian and U.S. officials agreed to undertake a cooperative program to further enhance food safety in a manner which recognizes the two countries' shared food safety policies and capacities, as well as their increasingly integrated market for agriculture and food.

Exports of Hemp Products

Production of industrial hemp is not permitted in the United States; however, imports of hemp products have been allowed. The U.S. market for hemp products is estimated at \$50 million, which has been primarily supplied by the EU. It is estimated that 80 percent to 90 percent of Canadian processed hemp is exported to the United States.

After some initial border problems with Canadian hemp product in 1999, the United States issued guidelines in December 1999 that would have prevented future border problems. The new guidelines required all shipments of hemp seed to be sterilized and all hemp products to contain less than 0.3 percent THC. This was not considered a problem for Canadian exporters, as Canadian regulations require domestically produced hemp to meet the same requirements. On January 5, 2000, the United States rescinded these guidelines and issued new instructions that require the seizure of hemp or hemp products containing any amount of THC. This policy was enacted without warning or consultation with the Canadian government. Canada is continuing to monitor the situation and is working with the companies affected to resolve the issue.

International Trade in Arms Regulations

Since World War II, there has been a secure North American perimeter and an integrated North American defence industrial base. Defence goods and technology normally have flowed licence-free between Canada and the United States in exchange for common, stringent controls under both Canadian and U.S. law over exports from North America. In the spring of 1999, the United States amended its International Trade in Arms Regulations (ITAR) regulations, effectively removing these special licence-free benefits. As a result, Canadian defence suppliers face lengthy and more complex requirements in obtaining access to U.S.-controlled goods and technologies and in selling to the U.S. market. Minister of Foreign Affairs Axworthy and Secretary of State Albright agreed on April 27, 1999 to ensure that our joint objectives will be reached in a mutually satisfactory way and that the ITARs will be implemented in such a way as to mitigate the effects on the North American defence and aerospace industry. On October 8, following a meeting of Prime Minister Chrétien and President Clinton, an agreement-in-principle was reached on the main elements required to resolve problems resulting from these changes. Canada is continuing the discussions with a view to finalizing an agreement that will restore licence-free access.

MONITORING DEVELOPMENTS AFFECTING CANADIAN INTERESTS

The Record of Understanding

On December 4, 1998, Canada and the United States signed a Record of Understanding (ROU) and Action Plan on bilateral agricultural trade. A Consultative Committee on Agriculture was announced April 20, 1999 to improve dialogue on agriculture issues of mutual concern and to involve provinces and states in a systematic process to address trade concerns. Its first meeting was held in Ottawa on September 24, 1999.

Other positive aspects of the ROU include: the in-transit grain rail program, which moved 6,998 rail cars of U.S. wheat, barley and oats through Canada in 1999; the harmonization of pesticide regulations; the joint publication of data concerning U.S.-Canada cattle inventory; and the expansion of the Northwest Cattle project.