

Canada is also concerned about the United States' use of export subsidies in third country markets. Under the U.S. Export Enhancement Program (EEP), the U.S. Department of Agriculture may subsidize a range of U.S. agricultural exports to targeted markets. The U.S. Administration has been under pressure from some farm groups and politicians from the Midwest to reactivate EEP for wheat, wheat flour and other bulk commodities, arguing that the use of EEP would help U.S. producers. Canada has maintained that a decision to use EEP to increase the U.S. market price for wheat would make the U.S. market even more attractive for Canadian exports, thus exacerbating U.S. concerns about imports from Canada.

Country of Origin Labelling Initiatives

In the summer of 1998, the U.S. Senate passed legislation requiring retail labelling of beef and lamb to distinguish imported meat from U.S. produce. The bill would have had serious adverse consequences for Canadian exports of both beef and cattle. Canada invoked consultations under the NAFTA's dispute settlement provisions and made strong arguments to both the Administration and Congress opposing the provision. The provision was later dropped and the USDA was directed to study the implications. The issue will return likely in Spring 1999 upon the study's completion.

In 1998, Congress also considered an imported produce labelling Act and a bill to require that retail packages of frozen imported produce display the country of origin on the front panel (current practice allows marking on the back of packages or elsewhere). Canada has long protested U.S. Administration proposals to require front panel marking of frozen produce and the Administration has yet to move to implement such a requirement by regulation.

MONITORING DEVELOPMENTS AFFECTING CANADIAN INTERESTS

Section 110

Section 110 of the 1996 U.S. Immigration Act directed the Immigration and Naturalization Service to create a system to document the entry and exit of all foreigners. If implemented, the provision would create massive delays at already congested Canadian border crossings. In October, 1998, the implementation date was delayed to March 30, 2001, and then only if it

does not significantly disrupt trade, tourism or other legitimate cross-border traffic at land border ports of entry.

Michigan Single Business Tax

Changes in the Michigan Single Business Tax (SBT) could have a significant effect on Canadian businesses that are selling in Michigan. Under a broadened jurisdiction, out-of-state firms with very limited activity and no commercial establishment are taxable, and could also be liable for a retroactive period of between four and ten years. Following representations from Canada, Michigan has agreed to delay the full implementation of the SBT and to participate in consultations with the Canadian industry. The goal of these consultations is to better educate Canadian business about the change and to find a mutually agreeable solution towards its implementation.

Fast Track

"Fast track" is a mandate to the U.S. Administration by which Congress sets out U.S. negotiating objectives and undertakes to approve or disapprove, without amendment, trade liberalization agreements thereby negotiated. The House of Representatives defeated fast track in September 1998, after a highly charged debate that is a serious setback both for fast track and for the bipartisanship that is essential to U.S. leadership internationally. Following the midterm Congressional elections, the Administration pledged an early return to the issue with the new Congress, although no timeline has yet been released.

OTHER ISSUES

General Accounting Office Investigation

In September 1997, at the request of U.S. Senator Dorgan (D-ND), the GAO launched a review of U.S. imports of Canadian wheat. The GAO met with numerous government and industry representatives in Ottawa and Winnipeg. Canadian officials and representatives of the Canadian Wheat Board cooperated with the GAO throughout the course of its study. The report, released in November, 1998, found no evidence of any violations of international trade agreements. Other than protecting commercially sensitive information, the Wheat Board responded thoroughly to GAO inquiries.