



imposed by the United States of America against Cuba." This resolution specifically names the Helms-Burton Act.

The Iran and Libya Sanctions Act of 1996 (ILSA) seeks to dissuade foreign companies from making significant investments in these countries, which contribute to their ability to develop their oil and gas sectors. This interferes with the right of non-U.S. companies to conduct legitimate business. At the same time, Canada has taken strict measures to ensure that Canadian trade will not contribute to the military or possible nuclear, biological and chemical weapons capabilities of Iran and Libya.

### **Alcoholic Beverages**

In February 1992, Canada was a complainant against the United States in a panel under the GATT, which examined U.S. federal and state measures relating to imported beer, wine and cider. The panel found, for example, that certain provisions of the federal excise tax, and those of many states, discriminated against imports, and thus were inconsistent with the GATT. Furthermore, the panel found that many other state measures also constituted discriminatory treatment of imported alcoholic beverage products, and recommended that the U.S. federal and state governments bring their inconsistent measures into conformity with their obligations under the GATT.

According to Canadian industry and government research, few of those measures have been brought into conformity; in addition, new trade-distorting measures affecting Canadian exports of alcoholic beverages to the United States have been implemented at the State level since the GATT Panel reported. Canada is therefore pursuing this issue further with the United States, to press for implementation of the GATT Panel. This requires: (1) removal of the discriminatory elements of the federal excise tax on beer, wine and cider; (2) reasonable measures by the Administration to ensure that the States observe the U.S. trade agreement obligations by removing discrimination from measures such as excise taxes and distribution practices.

### **RESISTING U.S. MEASURES THAT CONSTRAIN ACCESS**

#### **Agriculture and Agri-food Products**

During 1998, low commodity prices and market access concerns on both sides of the border increased

tensions in agriculture trade. Facing political pressure from farm groups and a November election, the Governor of South Dakota blocked Canadian trucks carrying livestock and grain in mid-September. Some neighbouring states succumbed to the politicking and joined in by ordering police and other agencies to increase inspections of Canadian trucks. State authorities ceased these actions after the U.S. Administration, pressured by Canadian requests for WTO and NAFTA consultations, agreed to enter into bilateral discussions with Canada. In early December, the two sides announced a joint Record of Understanding and 17-point Action Plan to improve market access for agriculture and agri-food products and enhance the management of the bilateral relationship. The agreement establishes an early warning mechanism to ensure that issues of concern to both sides are addressed in a timely and efficient manner, through regular consultations at the Ministerial and senior federal officials level. The full text of these results is available on DFAIT's website at <http://www.dfait-maeci.gc.ca/geo/usa/general-e.htm>

The United States was the destination for 11 percent of Canadian wheat exports by value in 1998. While Canadian wheat is valued by U.S. mills for its uniformity of quality and reliability of supply, some U.S. producer groups continue to press for restrictions on Canadian grain, against a background of myths about Canadian agricultural trade practices. Canada will not restrict grain exports. Our trade is market driven and consistent with our trade obligations. Both sides are now committed to a regular exchange of information on bilateral and international grains trade, to help dispel misperceptions about the impact of Canadian exports on the U.S. market, and to deal with other issues such as trade practices in third country markets. In addition, Canada continues to encourage increased consultation and co-operation among industry groups on both sides of the border.

Under the Action Plan, both sides have agreed to remove a range of measures which restrict access for livestock, equine semen, horticultural products and nursery stock. The agreement also addresses industry concerns related to veterinary drugs and pest control products — Canadian and U.S. agencies responsible for these issues have agreed on work plans to increase information exchange and the harmonization of their regulatory systems.