decision in 2000 to extend the application of the duties. To this end, Canada is actively engaged in the NAFTA Extraordinary Challenge filed by the United States on September 24, 2003, contesting a NAFTA Chapter 19 panel decision instructing the U.S. Department of Commerce to sunset the anti-dumping duties on Canadian exports of pure magnesium.

U.S. Farm Act

The Government of Canada continues to express serious concerns about the Farm Security and Rural Investment Act, otherwise known as the Farm Act, particularly in respect of the increase in trade-distorting domestic support and the mandatory country-of-origin labelling requirements. The domestic support increases run counter to the agreed objective in the WTO agriculture negotiations to substantially reduce trade-distorting domestic support. The government is monitoring the implementation of the Act to ensure that the United States operates within its WTO domestic support commitments. It will continue to follow developments and make its concerns known to Congress and the Administration as the legislation is implemented. In coordination with our Canadian partners and U.S. allies, the Government of Canada will also continue its advocacy efforts in the United States in order to enhance awareness of the disruption that the country-of-origin labelling provision will cause to the integrated Canada–U.S. agricultural trade.

Country-of-Origin Labelling

The 2002 Farm Act created new mandatory country-of-origin labelling (COOL) requirements for beef, lamb, pork, fish, perishable agricultural commodities and peanuts sold at U.S. retail outlets. The legislation sets out highly restrictive criteria that must be met before covered commodities can be labelled as originating in the United States. Guidelines for an interim two-year voluntary period came into effect on October 11, 2002. Country-of-origin labelling is scheduled to become mandatory as of September 30, 2004, for fish and seafood products and as of September 30, 2006, for all other covered commodities.

The mandatory COOL 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 while providing no real consumer benefits. Mandatory 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 Government of Canada, in partnership with provinces, industry and U.S. allies, will continue advocacy efforts in the United States to build awareness of the disruption that the country-of-origin labelling provision will cause once it becomes mandatory and to urge that the provision be repealed.

U.S. Trade and Development Act of 2000

The Trade and Development Act (TDA) allows beneficiary countries in the Caribbean and Central America (i.e., Caribbean Basin Initiative or CBI countries) and sub-Saharan Africa to ship apparel made from U.S. fabric and yarns duty- and quota-free into the United States. CBI countries are also permitted to ship knit apparel made with regional fabric up to a specified quantity. A separate cap applies for t-shirts made with regional fabric. The TDA essentially expands the preferences available under other existing U.S. programs.

The Canadian textile industry expressed concerns that the TDA could exacerbate the disadvantages created by earlier programs of a similar nature, since U.S. apparel companies will tend to favour U.S. inputs if they assemble garments in the CBI region. The TDA could also erode the development of the integrated North American market envisioned under NAFTA. U.S. apparel makers that increasingly assemble garments in CBI countries may well be induced to switch to U.S. or regional fabrics made from U.S. yarn. As the TDA was moving through Congress, Canadian industry sought, unsuccessfully, to have Canadian fabrics and yarns treated on the same terms as U.S. fabrics and yarns, arguing that the NAFTA-driven integrated North American market would be undermined by the exclusion of Canadian (and implicitly Mexican) inputs.