

Canada's Market Access Priorities for 1998

Over the coming year, Canada will:

- Defend access to the U.S. market by exercising its rights under existing trade agreements and by resisting U.S. measures that constrain Canada's access to its most important trading partner.
- Continue to monitor closely and respond to key measures that may distort trade and investment decisions in the North American market.
- Continue to resist the extraterritorial application of U.S. laws.
- Work closely with the United States to enhance co-operation along our common border.
- Continue to advance Canadian market access objectives in other areas, such as services, government procurement, and the application of trade remedies.
- Work with the United States to complete a Mutual Recognition Agreement (MRA) on fish inspection systems as soon as possible.

The remainder of this chapter provides additional detail on key U.S. market access issues for Canada over the next year. It should not be regarded as an exhaustive inventory of obstacles faced by Canadian firms doing business in the United States, nor as an exclusive list of issues that the Canadian government will pursue.

EXERCISING CANADA'S RIGHTS UNDER TRADE AGREEMENTS

Sugar and Sugar-containing Products

On October 1, 1997, Canada and the United States implemented an agreement on trade in sugar and sugar-containing products (SCPs). Canada received a country-specific allocation of 10 300 tonnes of the 22 000 tonne U.S. refined sugar TRQ (double the level of Canadian exports in 1996-97). Canada will also be able to compete with other countries for the non-allocated portions of the refined sugar TRQ (approximately 7500 tonnes), which allow Canadian firms to ship significantly more than the amount contained in the Canada-specific allocation. With respect to SCPs, Canada obtained an allocation of 59 250 tonnes of the 64 709 tonne U.S. TRQ, which approximates our recent historical access. For the quota year 1997-98, Canadian companies will export

well over twice as much refined sugar to the United States than they exported in quota year 1996-97, although still below our pre-WTO levels of exports. The country-specific allocation ensures that Canadian exporters will have guaranteed access to the U.S. market for SCPs, and ensures protection from the recent incidents of increased international shipments to the U.S. marketplace.

In return, Canada has agreed not to pursue NAFTA dispute settlement procedures with respect to the U.S. Re-export Program for SCPs while the agreement is in effect. The government will monitor the use of the Re-export Program on Canada for any changes that may have an impact on Canadian interests. If necessary, the agreement can be terminated on a six months' notice. In that event, Canada would be in a position to resume a NAFTA challenge of the Program.

In working toward this agreement, the government consulted closely with provincial governments, Canadian sugar beet growers, and refiners and manufacturers of SCPs.

Softwood Lumber Agreement

The Canada-U.S. Softwood Lumber Agreement, implemented on April 1, 1996, provides for five years of predictability and stability in our softwood lumber trade with the United States. The Agreement provides Canadian exporters with a guarantee against U.S. trade actions for five years. The allocation system, under which allocations are assigned on a company basis based on their traditional exports to the United States, allows Canadian companies to make rational, long-term decisions on marketing and shipping their lumber to the United States.

Under the Agreement, 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 fee for the first 650 million board feet, and a US\$100 per thousand board feet fee for quantities exceeding this amount.

In addition, the Agreement provides for an increase in softwood lumber exports of 92 million board feet without fee for each calendar quarter, when the average Great Lakes price exceeds a certain level. During the first seven quarters of the Agreement, Canada has earned the right to export additional softwood lumber to the United States six times.