



The Softwood Lumber Agreement is entering the third year of its five-year span. Key objectives of 1998 are to continue smooth operation of the quota allocation system, to enhance the fee collection system, and to fully complement the verification process. Canada will also continue to manage this issue with the United States and will maintain consultations with affected provinces and stakeholders.

Sanctions

Canada is concerned over the proliferation of unilateral trade measures taken by the United States. Enactment of legislation with extraterritorial application and the use of unilateral economic sanctions in support of foreign policy harms the legitimate right of Canadians to freely trade and invest provided that they conduct their business affairs in accordance with Canadian law, the law of the country in which they are operating and international trade practice. At the federal level, the most notable examples are the Helms-Burton Act and the Iran Libya Sanctions Act (ILSA). States and municipalities have also introduced sanctions legislation mandating procurement restrictions and divestiture requirements targeting certain countries.

The Helms-Burton Act is designed to chill third-country investment in Cuba by exposing foreign nationals who engage in business activities in expropriated Cuban property to claims in U.S. courts against that property. It also provides for the denial of entry to the United States of foreign individuals or companies who "traffic" in that property. The legislation violates U.S. obligations under international agreements, notably the NAFTA and the WTO, and is inconsistent with generally recognized principles of international law.

The Iran Libya Sanctions Act (ILSA) seeks to dissuade companies from making significant investments in these countries' oil and gas sectors, interfering with the right of non-U.S. companies to conduct legitimate business in Iran. 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.

Continued temporary suspensions of the right to sue under Title III of Helms-Burton do nothing to address the long-term problems of the legislation.

Liability for Canadian companies has been accruing since 1996, and senior officials from one Canadian company have received letters under Title IV advising them that they will be barred entry to the United States.

Canada has expressed strong opposition to the extra-territorial nature of the legislation and the negative impact it has on legitimate Canadian trade and investment ties with Cuba. In both domestic and multilateral fora, Canada has taken action to respond to the Helms-Burton Act. Domestically, amendments were made in September 1996 to the Foreign Extraterritorial Measures Act (FEMA) to provide Canadian companies enhanced means to defend themselves against Helms-Burton actions. Multilaterally, Canada is a third party to the European Union challenge of the legislation at the WTO. Canada has also held NAFTA consultations with the United States and retains the option of requesting a NAFTA panel.

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. Given that many of the GATT panel's recommendations have yet to be implemented, Canada is pursuing this issue further with the United States.

RESISTING U.S. MEASURES THAT CONSTRAIN ACCESS

Wheat and Barley

The U.S. administration announced in September 1996 that it would continue its unilateral monitoring of U.S. imports of Canadian wheat and barley, and that it would seek consultations with Canada if imports were to rise above particular trigger points