Eggleton and Kantor Discuss Bilateral Trade

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After his first meeting with U.S. Trade Representative Mickey Kantor in Washington on March 3 and 4, Canada's International Trade Minister Art Eggleton told *The Globe and Mail* that despite disagreements on several issues, the bilateral trading relationship is "on solid ground." Trade in goods and services between the two countries amounts to a billion dollars a day.

During the two-hour meeting, Mr. Eggleton presented Canada's objections to the extraterritorial provisions of the Helms-Burton legislation expanding U.S. sanctions against Cuba. "This sets a dangerous precedent," he said afterwards. "We can't allow another country to tell us what our trade policy should be."

Prominent among a range of cultural trade and investment issues the officials discussed was Canadian legislation that imposes an 80-per-cent excise tax on "split-run" editions of foreign magazines, that is, those having Canadian advertising aimed at Canadians with little additional editorial content.

Successive governments have sought to ensure that Canadians have access to Canadian sources of information, culture and ideas through magazines, and that the Canadian industry has an adequate revenue base for survival. The new legislation closes a loophole in a longstanding policy that discourages split-run editions on the grounds that they divert scarce advertising revenues from Canadian periodicals.

Mr. Eggleton told reporters after the meeting: "We have a very open market in terms of American access via television, radio, films and publications. Indeed, over three-quarters of all the products of those industries originate in the United States. At the same time we need to ensure that Canadian identity is maintained."

Mickey Kantor later announced that the United States would challenge the Canadian legislation on split-run magazines at the World Trade Organization in Geneva.

The trade officials also reviewed a U.S. challenge under NAFTA of Canada's supply management of dairy products, eggs and poultry. The Canada-U.S. Free Trade Agreement allowed the U.S. to maintain import restrictions on dairy products, peanuts and sugar, and Canada to keep import quotas on dairy products, eggs and poultry. This arrangement was continued under NAFTA. Under the agreement creating the World Trade Organization, Canada converted its quotas to tariffs up to 351 per cent.

In its formal response to the U.S. challenge, Canada said: "The United States is now attempting to obtain through dispute settlement the market access for certain agricultural products that it did not obtain through negotiation in the FTA, in the NAFTA, or in the Uruguay Round." The NAFTA panel is expected to release its final report in June.

Mr. Eggleton and Mr. Kantor also discussed negotiations for an agreement on softwood lumber (see box), multilateral trade issues and an interim Canada-Chile free trade agreement, which Mr. Eggleton said could be a "bridge" to Chile's eventual accession to NAFTA.

Canada-U.S. Agreement On Softwood Lumber

On April 2, International Trade Minister Art Eggleton announced that Canada and the United States had finalized an agreement in which the United States makes a commitment not to launch any trade actions on Canadian exports of softwood lumber for five years.

In return, Canada agreed that softwood lumber exports to the U.S. from British Columbia, Quebec, Ontario and Alberta that exceed 14.7 billion board feet a year will be subject to a border fee of US$50 per thousand board feet for the first 650 million board feet, and US$100 per thousand board feet for greater quantities. No fee will apply to shipments below 14.7 billion board feet, a level higher than the average annual exports of softwood lumber from those four provinces to the U.S. between 1992 and 1994. The agreement provides for an increase in exports without fee during periods of high prices.

Revenues from the fee will be collected by the government of Canada and remitted to the four provinces. The fee will not apply to exports from other provinces or the territories, whose exports will not be affected by the agreement. The Canadian government, in conjunction with the governments of Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland, reached an understanding with the U.S. that maintains those provinces' traditional exemption.