

that exceed 14.7 billion board feet a year are 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. Prices are adjusted annually for inflation.

The Agreement provides for an additional 92 million board feet in fee-free exports for each calendar quarter when the average price exceeds US\$405 per thousand board feet in the first two years and US\$410 in the last three years.

The methodology for dividing the fee-free and US\$50 export levels amongst individual exporters was developed in consultation with exporters, associations and the provinces. These discussions were wide-ranging and complex, attempting to address the divergent needs and priorities of more than 500 stakeholders. Companies received quota based on their traditional exports to the United States. There was also a provision for allocations to new companies or companies that had planned significant expansions. The allocations, first made in October, 1996, are renewed on an annual basis according to each quota holder's utilization in the previous year. This provides Canadian companies with the stable access they require to make rational, long-term decisions on marketing and shipping their lumber to the United States.

The Softwood Lumber Agreement is entering the fourth year of its five-year term. Key objectives in 1999 are to maintain the smooth operation of the quota allocation system and to continue ensuring compliance with regulations through the verification process. Dispute settlement is an important ongoing challenge. To date, the dispute settlement process set out in the Agreement has been invoked in connection with two matters: the U.S. re-classification of drilled studs as a product covered by the Agreement and the June 1, 1998 reduction of stumpage rates by British Columbia. Canada will continue to manage these issues and other with the United States, in consultation with affected provinces and industry stakeholders.

As well, we have initiated a broader process of consultation with industry and provincial stakeholders on steps to be taken when the Agreement expires on March 31, 2001.

## Sanctions

Canada remains concerned over the proliferation of unilateral U.S. economic sanctions having extraterritorial application. Such measures harm the legitimate right of Canadians to trade and invest freely, provided that they do so 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 Cuban Liberty and Democratic Solidarity (LIBERTAD) Act of 1996 (Helms-Burton Act) and the Iran and Libya Sanctions Act of 1996 (ILSA). A number of U.S. states and municipalities have also introduced sanctions legislation mandating procurement restrictions and divestiture requirements targeting certain countries. U.S. courts are reviewing the constitutionality of these laws.

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 and their dependants 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.

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 been barred entry to the United States under Title IV.

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 continue to press for removal of trade aspects of 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.

On October 21, 1998, the United Nations General Assembly adopted the resolution "necessity of ending the economic, commercial and financial embargo