

its operation to bring concerns and differences forward for resolution before they become serious bilateral irritants.

- The movement of feeder cattle into Canada was facilitated by expanding animal health approvals for cattle from states that meet certain animal health criteria. Imports under the program grew to more than 180,000 head in 1999-2000, compared to 51,000 in 1998-1999. For 2000-2001, as of early November, imports are running 50 percent ahead of the previous year's pace.
- Secured a rectification of U.S. Harmonized Tariff Schedule to restore duty-free access for Canadian bovine meat.
- The United States removed their testing requirements for equine semen from Canada.
- Obtained withdrawal of U.S. regulations that would have put in place an import licensing regime for sugar-containing products and limited Canadian access.

Canada's Market Access Priorities for 2001

- ensure continued access to the U.S. market for Canadian Softwood Lumber exports following the expiration of the Softwood Lumber Agreement on March 31, 2001;
- continue to work with the United States to ensure the free movement of goods, services, and persons across the Canada-U.S. border;
- continue to press for removal of U.S. restrictions on imports of potatoes from Prince Edward Island including through the NAFTA dispute settlement process if necessary;
- continue to defend Canada's international trade agreement rights to maintain market access to the United States for Canadian wheat;
- continue to monitor proposed U.S. regulatory amendments concerning THC tolerances that could affect Canadian exports of hemp products to the United States;
- continue to press various U.S. states to ensure that Canadian firms are taxed in a fair, consistent manner, in accordance with international taxation norms;
- continue to press the United States against unilateral action which could expand the coverage of products subject to agricultural tariff rate quotas, such as for certain sugar syrups;

- continue Canadian advocacy efforts to inform U.S. opinion makers of the adverse impact of legislation affecting the free and easy movement of people and goods across the border;
- reinforce such advocacy by developing and supporting strategic alliances with U.S. customers and their representatives affected by such measures;
- continue to monitor closely and respond to key measures that may distort trade and investment decisions in the North American market; and
- continue to oppose the extraterritorial application of U.S. laws.

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.

ENSURING CANADA'S RIGHTS UNDER TRADE AGREEMENTS

Softwood Lumber Agreement

The Canada-U.S. Softwood Lumber Agreement expired March 31, 2001. The Canadian government has consulted extensively over the past 18 months with Canadian stakeholders and interest groups on the future of the lumber trade with the United States. The U.S. lumber industry is threatening to launch another countervailing duty investigation of Canadian practices absent a new agreement. Canada is fully prepared and committed to defending the interests of the Canadian industry against these unfounded allegations. Softwood lumber shipments to the United States were valued at \$10.7 billion in 1999.

In the past year, Canada and the United States reached a negotiated settlement for a dispute based on the U.S. unilateral reclassification of rougher headed lumber to bring it under the Canada-U.S. Softwood Lumber Agreement. In return for terminating the arbitration case on this topic, Canada received 72.5 million board feet of additional quota. Canada's challenge of U.S. reclassifications of drilled and notched lumber continues, and a decision is expected soon.