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CANADA REQUESTS FTA PANEL IN INTEREST COST DISPUTE

The Honourable Michael Wilson, Minister of Industry, Science and Technology and Minister for International Trade, today announced that Canada has asked the Canada-United States Trade Commission to establish a Panel under Chapter 18 of the Free Trade Agreement (FTA).

The Panel will seek to resolve a dispute over the treatment of non-mortgage interest in the value-added formula for determining the eligibility of goods for preferential FTA tariff treatment.

"Despite efforts to negotiate a settlement, the U.S. Administration has taken the position that only interest paid with respect to a mortgage can be included as 'territorial content' under FTA Rules of Origin," said Mr. Wilson. "Our position is that 'territorial content' includes any interest paid in relation to land, equipment and buildings used in the production of goods.

"We are of the view that non-mortgage interest is eligible as a direct cost of processing. We believe that the U.S. position is not justified under the FTA nor in the light of common business practice," the Minister said.

Canada and the United States have 30 days to form the Panel. Once the Panel is constituted, it will have four months to issue its report. Chapter 18 Panels have five members -- two Canadians, two Americans and a fifth member chosen jointly. These Panels may be established at the request of either Canada or the United States to settle differences that may arise over the interpretation or application of the FTA.

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