

against other Canadian products, the official said. But if the government could persuade the American industry to withdraw its complaint against Canadian lumber before December 30, then the preliminary decision would be wiped off the books and no precedent set (*Ottawa Citizen*, November 29).

No US response to the Canadian proposal had been received by November 30.

Corn Duty

On November 7 the Department of National Revenue levied a preliminary countervailing tariff on imports of US corn. The tariff was set at US\$1.047 per bushel, or 67 percent of the corn's value, and took effect immediately following the announcement. The *Globe and Mail* reported on November 8 that this was the first time that a foreign country had levied countervailing tariffs against the US in an attempt to neutralize what were deemed by Revenue Canada to be "illegal subsidies." Viewed as an important move by the European Community because of their ongoing agricultural trade war with the US, the levying of the duty was not expected to affect Canadian consumers. The majority of imported corn was used as feed for cattle and chickens, the report said, and the final price of the meat would not likely increase.

Imports of US corn amounted to about 20 percent of total Canadian corn production in the first ten months of 1986.

Elmer MacKay, Minister of National Revenue, dismissed suggestions that the duty was levied in retaliation for the US duty on Canadian softwood lumber, pointing out that the move towards a corn duty had begun the previous May, long before the US lumber decision was made. And Thomas Grieg, Revenue Canada assistant deputy minister, said, "There is no room, no way for political interference in a countervailing decision. It's an administrative procedure, a simple statement of fact" (*Globe and Mail*, November 8).

Ed Kalita, president of the Ontario Corn Producers Association, said he thought the decision was "great. The Americans enjoy far better subsidies than we do, and this will protect Canadian corn producers," the *Globe and Mail* reported.

US Agriculture Secretary Richard Lyng said from Washington, "I am astonished and dismayed. . . . The Canadian action is completely inconsistent with recent efforts by both the United States and Canada to bring about freer and fairer trade." And a spokesman for the US National Corn Growers Association, Michael Hall, called the levying of the duty "mind-boggling."

In spite of some strongly negative reactions from the US, some US trade officials took pains to play down the corn issue. One US administration official unnamed by the *Globe and Mail* said, "We aren't viewing this as a destructive impediment [to the free trade talks]. How could we after what we've been doing?" And referring to the fact that the duty was a preliminary one, subject to further investigation by Revenue Canada, another US official said it would be premature for the US to consider any form of trade retaliation until the final decision, set for February 5 (*Globe and Mail*, November 11).

The US corn growers would argue against the duty on a number of key issues that they said Revenue Canada

had ignored in its preliminary ruling, said their representative Michael Hall. He added that the move by Canada was likely to stir up protectionist feelings in the US farm community, "considered one of the last bastions of free trade in the country," according to a *New York Times* report on November 8.

US Surtax on Imports

On October 17 the US House of Representatives passed legislation imposing user fee or surtax on all imports into the US. In an effort to prevent the legislation from being enacted, External Affairs Minister Joe Clark told US President Ronald Reagan that Canada expected him to veto what the Minister called the "offensive" legislation, and that Canada would go to GATT for a remedy if the President did sign the bill (See GATT, below).

When, on October 21, the President signed the surtax bill, Mr. Clark said that Canada would prepare the "strongest possible case" against it, and that there were "areas in terms of customs duties where we might move ourselves." International Trade Minister Pat Carney said that Canada would consider retaliatory measures should Mr. Reagan refuse Canada's request for a veto (*Ottawa Citizen*, October 23).

The surtax was expected to earn the US government about \$200 million in the next year on imports from Canada worth about \$95 billion. The US hoped to raise a total of US\$2.4 billion from the surtax between December 1986 and September 1989, to pay for customs operations.

Freer Trade Negotiations

Negotiations with the US on freer trade continued during this 2-month period (See "International Canada" for August and September 1986). At the end of October, US Trade Representative Clayton Yeutter told a conference on Canada-US relations, "I want everyone to know that there is a strong will on the US side to move ahead. . . . I will do everything I can to preclude [sectoral disputes] from sabotaging our long-term commitment" (*Ottawa Citizen*, October 31). This view was echoed by US Senator George Mitchell of Maine after the Democrats' victory in the November congressional elections. "We ought to move on trade. We want to increase trade by breaking down barriers," said the Democrats' campaign chairman. But Senator Robert Byrd of West Virginia, who was expected to become the majority leader in the Senate, pledged aggressive legislation to deal with the "national embarrassment" of the US trade deficit, saying the "the working people of this country have been mugged in international competition" (*Globe and Mail*, November 6).

Meanwhile, after meeting with International Trade Minister Pat Carney in Washington on November 6, US Commerce Secretary Malcolm Baldrige said, "The people in this country don't want protectionism. . . . I think the new Congress will be supportive [of a free trade agreement]." And Ms Carney said that Canada's commitment to the free trade talks had been enhanced by recent "trade harassment measures" taken by the US (*Ottawa Citizen*, November 7).