

Prior to the implementations of the FTA, the two governments had agreed to develop and implement common performance standards. A bi-national committee composed of technical experts from the industries and standards organizations in both countries was established to undertake this task and to develop acceptable testing methods. It is not clear how long the process will take. Some progress has been made to establish a work program, but little else. While the work of this committee to develop a common plywood performance standard offers the best long-term solution to the underlying standards issue, it does not represent a solution to the current FTA tariff dispute.

The U.S. industry contends that Canadian plywood standards are designed to keep U.S. C-D grade plywood out of the Canadian market. Canadian producers respond by noting that the U.S. industry has not pursued the issue under international trade law, nor has it applied for a change in the Canadian standards, which are set by standards-making bodies, testing laboratories and the companies concerned, including foreign ones. Furthermore, they infer that by resisting the separation of the C-D grade from C-C grade standards, the U.S. industry is attempting to limit Canadian exports by ensuring the continuation of its 20 per cent tariff on the larger quantity of wood¹⁴⁰.

The first round of consultations was held, at the official level, on January 31, 1989. Subsequently, the issue was raised at the March 13 meeting of the Canada-U.S. Trade Commission and again at the November 30 meeting. At the latter meeting the Commission addressed a letter to the expert working group, requesting an expedited conclusion of their work by February 28, 1990. However, no steps have been taken formally to undertake an FTA review utilizing the deadlines and procedures for bilateral review¹⁴¹.

¹⁴⁰ C-C grade wood represents about 65 per cent of U.S. consumption. This standard is compatible with the Canadian one, and if the separation was made, both countries could gain entry to a part of the other's currently protected markets. For its part, Canada has maintained a 15 per cent tariff on these products.

¹⁴¹ It is reported that the panel will not meet this deadline and that the more likely outcome is stalemate and a retention of the tariffs. See *Canada-U.S. Report on Free Trade* January 15, 1990 page 1. Retention of the tariffs by the United States could be subject to a full review by a Chapter 18 panel, should Canada make a formal request for such a review.