

DOC imposed final countervailing and anti-dumping duties averaging 27.22%. The DOC excluded the Atlantic provinces from the countervailing duty investigation, but Atlantic producers have to pay the anti-dumping duty of 8.43%.

The Government of Canada, the provinces and Canadian industry have been pursuing a two-track strategy for resolving the softwood lumber dispute: negotiations with the U.S. government toward a durable resolution of the dispute and litigation involving challenges of the U.S. duties under NAFTA and before the WTO.

The long-term policy-based solution to the dispute, which has been under discussion with the United States over the past year, involves the publication by the U.S. Department of Commerce of a policy bulletin that would guide the DOC in reviewing future changes in provincial forest management practices, the subject of the U.S. countervailing duty order. Successful reviews would lead to revocation of the countervailing duty order for a province. Extensive discussions have taken place with provinces to shape the policy bulletin and the examples it includes for specific provinces.

Also under discussion is a settlement that would eliminate the duties, settle the litigation and allow provinces to pursue policy reform. The Government of Canada is consulting with provinces and industry on what would be required to achieve a negotiated resolution. The government has always seen a settlement as an interim measure that would give provinces time to undertake the policy reforms that would lead to free trade.

Six legal challenges have been undertaken before the WTO and under the NAFTA concerning the final U.S. subsidy, dumping and injury determinations. The NAFTA remand process will likely continue through this year, and implementation of WTO reports may continue into 2005.

The Government of Canada is continuing to provide programs to assist Canada's forest industry, as well as the communities and workers affected by the dispute. These measures include funds for displaced workers under expanded employment insurance programs, community capacity building, competitiveness initiatives, research and development programs and a boreal forest research consortium. The government

will continue to pursue unrestricted access to the U.S. market for Canadian softwood lumber as the top market access priority.

Bovine Spongiform Encephalopathy

On May 20, 2003, following the Canadian Food Inspection Agency (CFIA) announcement that it had quarantined an Alberta farm in an investigation of a single case of BSE, the United States closed its border for Canadian beef, live animals and other products. The United States is our biggest market for cattle and beef, valued at \$4.9 billion. Other products were also affected including bison, sheep and goats. (For further information, see the BSE overview in Chapter 2.)

On August 8, the United States announced its decision to reopen the border to Canadian boneless beef and products from cattle under 30 months of age. In addition, the United States announced that a rule-making process would begin immediately for the import of live ruminants and ruminant products. Trade in the export of boneless beef, veal and other beef products has now normalized.

Our next critical issue with the United States is live animals. Live cattle were a key component of Canada's exports to the United States. Canadian exports of cattle, bison, sheep and goats are all now prohibited. The United States commenced a rule-making process in the autumn, and Canada submitted detailed comments on January 5, 2004. The timing of a U.S. decision is unclear. Canada will continue to press for an early reopening of the border for live animals.

Following the United States' December 23 announcement of a BSE case in Washington State, Canada imposed interim import measures on certain U.S. products. There have been subsequent amendments to the import measures.

On January 16, 2004, Agriculture and Agri-Food Minister Bob Speller, U.S. Secretary of Agriculture Ann Veneman and Mexican Secretary of Agriculture Javier Usabiaga issued a joint statement recognizing the highly integrated nature of the North American beef industry, as well as the need for a coordinated approach to address both regulatory and trade aspects of the current BSE challenges. The three ministers also noted that the parties have been working