

Canada's Market Access Priorities for 2003

- Balance the priorities of security and law enforcement with the free movement of legitimate goods, services and people across our common border.
- Successfully resolve the softwood lumber dispute with the United States.
- Maintain market access to the United States for Canadian wheat.
- Continue to oppose country-of-origin labelling provisions of the U.S. Farm Bill in a variety of bilateral and multilateral forums in order to advance Canadian trade interests and concerns.
- 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 monitor closely and respond to key measures that may distort trade and investment decisions in the North American market.
- Continue to oppose the extraterritorial application of U.S. laws.
- Extend Canada's network of representation in the U.S. for greater strategic engagement on investment and trade issues.
- Continue engagement on the NAFTA Chapter 11 clarification initiative.
- Ensure that proposals by U.S. Customs and the U.S. Food and Drug Administration (FDA) for prior notice of arrival are implemented in a way that achieves security objectives while avoiding unnecessary disruption to trade.

The remainder of this section 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.

IMPROVING ACCESS FOR TRADE IN GOODS

Softwood Lumber

Following the expiry of the Canada-U.S. Softwood Lumber Agreement on March 31, 2001, the U.S. Department of Commerce (DOC) initiated

countervailing and anti-dumping investigations of certain softwood lumber products from Canada. On May 22, 2002, following these investigations, the DOC imposed final countervailing and anti-dumping duties averaging 27.22%. The DOC excluded the Atlantic provinces from the countervailing duty investigation. Consequently, all Atlantic producers pay an anti-dumping duty of only 8.43%.

In response to the U.S. trade actions, the Canadian government is taking all actions possible to protect the interests of the Canadian lumber industry, its workers and lumber communities across the country. Working closely with provinces and the lumber industry, the federal government has pursued with the United States a long-term, policy-based resolution of the trade dispute. Should such a resolution be possible and result in the elimination of the countervailing and anti-dumping duties, an interim measure such as a border tax may be required to allow provinces time to implement forest policy changes.

Canada is continuing to pursue its rights under the dispute settlement provisions of the WTO and NAFTA. In total, six challenges of the U.S. trade actions have been initiated before the WTO and under NAFTA.

On November 1, 2002, a WTO panel adopted the final report on the U.S. preliminary subsidy determination. The panel ruled that the U.S. measure is contrary to its WTO obligations. A subsidy consists of a financial contribution that confers a benefit. The WTO panel found that provincial stumpage programs are a "financial contribution" under the Subsidy Agreement. However, the panel also found that the United States cannot use cross-border benchmarks to measure whether this financial contribution provides a "benefit" to lumber producers. The U.S. did not appeal the report of this panel. A subsequent WTO panel has been established on the U.S. final subsidy determination.

The Canadian government has announced various programs to assist Canada's forest industry, as well as the communities and workers affected by the dispute. The measures announced to date amount to over \$356.5 million dollars. They include funds for displaced workers under expanded employment insurance programs, community capacity building,