Department of Foreign Affairs and International Trade (BCF)
Ministère des Affaires etrangères et du Commerce international (BCF)

This Week in Trade and Foreign Policy
Le commerce et la politique étrangère cette semaine

January 6 - 13, 1994

PRESS RELEASES:

MacLaren Welcomes U.S. Decision on Softwood Lumber — *January 6, 1994, No. 2*

The Honourable Roy MacLaren, Minister for International Trade, welcomed a decision by the U.S. Department of Commerce (DOC) to accept the December 17, 1993, ruling by the Canada-U.S. Free Trade Agreement subsidy panel. The panel had ruled that the DOC, under U.S. trade law, should not have found a countervailable subsidy on either provincial stumpage programs or British Columbia's log export restrictions. "This is an important step toward a final resolution of this long-standing dispute," Mr. MacLaren stated. "It is clear now that DOC should implement the panel ruling and remove the countervailing duty at the earliest possible opportunity." Canadian lumber exports to the United States exceeded $4 billion in 1992, accounting for roughly 54 percent of Canada's total lumber production. The value of Canadian lumber shipments to the United States is expected to reach roughly $6 billion in 1993.

Ministers Announce First Round of Accelerated Tariff Elimination Under the NAFTA — *January 6, 1994, No. 1*

International Trade Minister Roy MacLaren and Finance Minister Paul Martin invited interested parties to submit proposals for early tariff elimination under the North American Free Trade Agreement (NAFTA). They also asked for comments on the early tariff removal proposals already put forward by industries in Canada, the U.S and Mexico. Details on how companies can submit proposals will be published in the *Canada Gazette* on January 8, 1994. The deadline for views on products already under consideration is February 1, and the deadline for new proposals is February 22. "The success of early tariff elimination under the Canada-U.S. Free Trade Agreement (FTA) has prompted companies to propose accelerated reductions in tariffs under the NAFTA," Mr. MacLaren said. Three rounds of accelerated tariff elimination under the FTA resulted in approximately $9 billion in bilateral duties being eliminated.

FROM THE DEPARTMENT OF FINANCE CANADA:

Canada to Raise US $2 Billion FRN Issue in the Euro-U.S. Market — *January 12, 1994, No. 94-005*

Finance Minister Paul Martin announced today that Canada is launching a US $2 billion five-year Floating Rate Note (FRN) in the Euro-U.S. market. The operation is being undertaken to diversify the sources of U.S. dollar funding of Canada's exchange reserves, the Exchange Fund Account. The issue will not be used to fund government operations that are financed exclusively in Canadian dollars. The proceeds will be used to retire existing foreign currency liabilities and will not increase the level of reserves. The operation will not increase Canada's overall indebtedness. The FRN is cost-effective in comparison to the Canadian government's other U.S. dollar funding sources.

Background Information Released on Economic Challenges, Government Revenues — *January 11, 1994, No. 94-004*

The Department of Finance today issued two background publications -- Canada's Economic Challenges and Government Revenues in Canada -- that provide Canadians with factual information on the nation's economic and fiscal situation. They follow up on Finance Minister Paul Martin's commitment of last November to provide basic facts on issues of important for the pre-budget consultation process. Copies are available from the Distribution Centre, Department of Finance, Ottawa, ON, K1A 0G5 (telephone (613) 995-2855 or fax (613) 996-0518).

Transfer Pricing Rules and Guidelines Clarified — *January 7, 1994, No. 94-003*

Finance Minister Paul Martin and National Revenue Minister David Anderson clarified the application of the Canadian rules and guidelines for determining transfer prices between members of an international corporate group. This announcement is designed to reduce uncertainty about the application of the Canadian rules in light of new U.S. regulations. Companies within an international corporate group must determine prices for transfers of goods, services, and intangible property among members located in different countries, and must then determine the profits for each member. Governments, in turn, require that these transfer prices conform to the internationally accepted "arm's length principle." This principle requires that prices be equivalent to those that would be set by two unrelated companies.

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