

SOFTWOOD LUMBER

Since 1982 the U.S. lumber industry has petitioned repeatedly against Canadian softwood lumber imports, alleging that Canadian forest management practices give unfair subsidies to Canadian producers. Twice Canada and the United States have signed agreements to mitigate these concerns—a Memorandum of Understanding in 1986 and the Softwood Lumber Agreement in 1996. After each agreement expired, the United States imposed countervailing and anti-dumping duties on lumber imports from Canada. Panels established under the Canada-U.S. Free Trade Agreement, the North American Free Trade Agreement and the World Trade Organization (WTO) have consistently ruled against U.S. trade actions—and the U.S. has repeatedly failed to abide by these rulings.

In early 2005, Canada requested authority to retaliate against the United States in separate subsidy and injury proceedings in the WTO; retaliation authority would only be granted in the event the United States does not comply with WTO rulings.

We also remain very concerned that the United States has not met its obligations to repeal the so-called Byrd Amendment, which allows anti-dumping and countervailing duties to be distributed to U.S. producers in affected sectors, thereby subsidizing our competitors and discouraging the settlement of disputes. It was found inconsistent with WTO rules in 2003, and the WTO has authorized Canada and seven other members to retaliate. On March 31, 2005, the Government announced that it would be exercising Canada's retaliatory rights beginning May 1, 2005, through the imposition of a 15% surtax on certain imports from the United States.

The Prime Minister and President Bush have committed to exploring ways of improving the functioning of NAFTA trade dispute mechanisms and thereby resolving disputes more effectively. At the institutional level, we are seeking to strengthen NAFTA's capacity to help governments manage disputes. Canada is concerned that the joint NAFTA Secretariat, which is responsible for administering the

dispute settlement provisions, among other things, has been neglected by the U.S. government.

HELPING CANADIAN BUSINESS SUCCEED

The institutional framework for managing trade—from NAFTA through Smart Borders—provides an enabling and secure environment: but more can be done to encourage Canadian business to fully profit from these possibilities. We must therefore be more focused on providing direct assistance to our exporters through business development and advocacy. The United States is where first-time exporters often start; if they are competitive in the United States and do well, they should do well elsewhere. We will work to introduce small and medium-sized enterprises (SMEs)—including Aboriginal firms and those run by women and young entrepreneurs—to the market. We will also encourage more Canadian exporters who have succeeded in the United States to expand to other international markets.

SUPPORT FOR NON-TRADITIONAL EXPORTERS

There are several programs designed to help non-traditional Canadian businesses—particularly women and Aboriginal-owned firms—to succeed. The Prime Minister's Task Force on Women Entrepreneurs underlined the need for innovative mechanisms to support and encourage women exporters. The network of Women's Enterprise Centres provides practical, targeted advice and assistance to help women-owned firms explore their export potential.

Developing Aboriginal exporters is a key element of our trade development efforts government-wide. The Aboriginal International Business Development Committee mirrors the Team Canada Inc concept to specifically respond to the trade development needs and barriers faced by Aboriginal entrepreneurs.

Aboriginal-owned businesses are the fastest growing demographic, and many Canadian firms have developed markets in other countries with strong indigenous populations, such as in South America.