

The USITC has submitted a confidential report to the President with recommendations of whether import restrictions on certain products containing sugar are necessary to operate effectively the U.S. price support program for sugar. Results of the USITC vote suggest that there is no basis for continued restrictions on many products currently subject to quotas and we would expect the U.S. to move quickly to relax or terminate import quotas.

Steel

The effectiveness of the President's steel program is being assessed largely in terms of whether imports of finished steel can be reduced to approximately 18.5% of apparent consumption. This target will not be achieved since the U.S. has agreed to more generous VRA's than apparently originally envisaged. There will be ongoing pressures for agreements with unrestrained suppliers of which Canada is the largest.

The U.S. did not ask Canada for a voluntary restraint arrangement although Canadian steel exporters are sensitive to the need to exercise prudence. In 1985 Canada's steel exports to the U.S. were down 9.5% from 1984 levels and Canada's share of the U.S. market declined to 3.0% from 3.2% the previous year. The President's program called for operation of market forces with respect to fair imports. Canada's share of the U.S. market has been acquired on the basis of fair trade.

Canadian and U.S. officials met on February 13 in Ottawa to consult on developments in steel trade. Similar meetings were held December 20, 1984 and May 1, 1985.

Asbestos

The U.S. Environmental Protection Agency has announced a proposal to ban the use of five major asbestos products and to phase-out all remaining uses of asbestos in the United States over the next ten years.

EPA proposal was published January 29, which begins the public comment period. Following the comment period, EPA will submit final rules to Office of Management and Budget (OMB) for approval. We estimate that process would take at least a year to complete.

Canada will prepare, and submit to U.S. authorities, "technical" comments on the EPA proposal demonstrating that health concerns about asbestos, shared by Canada, can be addressed effectively through a "controlled use" approach.

Section 201 (Escape Clause) Actions Affecting Canada

There have been a flurry of 201 actions filed in recent months. Four of these actions affect Canadian exports, two of which (shingles and shakes and fork lift arms) are aimed principally at imports from Canada. A third petition (castings) could affect over \$100 million in Canadian exports, while another (apple juice) could affect \$3 million in Canadian exports to the United States.

In the past six months five Section 201 (escape clause) petitions have been filed with the USITC. The U.S. industries that are seeking temporary relief from import competition are manufacturers and producers of shingles and shakes, cast metal products, fork lift arms, electric shavers and apple juice.

Of the five cases, two (shingles and shakes, fork lift arms) are aimed directly at Canadian producers, two (castings, apple juice) will indirectly affect Canadian exports to the U.S. and one (electric shavers) has no significance for Canada.

—Shingles and Shakes: Aimed at Canada; filed September 25; USITC made affirmative injury determination on February 26. A vote on remedy is expected sometime in mid-March; \$300 million exports at risk;

—Electric Shavers: Canadian exports insignificant;