



The Canadian government continues to consult closely with all Canadian interests to determine allocations for the 1997/98 quota year. In this regard, on February 10, 1997, the National Softwood Lumber Advisory Committee met to seek advice from the provinces and industry.

Canada will ensure effective implementation of the Agreement on Softwood Lumber, to maximize the volume of lumber exported under the Agreement.

Resisting U.S. Measures that Constrain Canadian Access

Wheat and Barley

The U.S. Administration announced in September 1996 that it would continue its unilateral monitoring of U.S. imports of Canadian wheat and barley, and that it would seek consultations with Canada if imports were to rise above particular trigger points at specified periods during the year. During her confirmation hearings, United States Trade Representative-designate Charlene Barshefsky undertook to seek consultations with Canada on those imports. Canada considers that its exports to the United States continue to be fairly traded, and has no interest in participating in any arrangement that would limit Canadian exports to that country.

The Export Enhancement Program (EEP) was introduced in May 1985 and is authorized under the Federal Agricultural Improvement and Reform Act of 1996 ("Farm Bill"). The Agriculture Department may subsidize a range of U.S. agricultural exports (mainly grains and oilseeds) to targeted markets. Initially, the justification for EEP was the protection of market share from subsidized European Union commodities, but over time the targets expanded. This resulted in a severe reduction in overall world prices and lower returns to Canadian producers. In light of strong international prices, the U.S. government has not used EEP for grains since July 1995, but has come under pressure to use it again. Canada has stated to the United States that a decision to use the EEP would inflate U.S. market prices, making the U.S. market even more attractive for Canadian grains, thus exacerbating U.S. concerns about imports from Canada.

Wool Suits

U.S. men's wool apparel producers continue to press Congress and the Administration to obtain reductions in the levels of wool suits, sport coats and pants that enter the country at NAFTA rates of duty under the NAFTA Tariff Preference Level (TPL) for wool apparel. Last year, Canada succeeded in mounting opposition to legislation that would have imposed unilateral U.S. restrictions. The pressure from the United States is likely to continue during 1997 and Canada will continue to defend the access acquired for these products as agreed in the NAFTA.

U.S.A. Section 332 Investigations

Section 332 of the Tariff Act of 1930 provides general authority for the U.S. International Trade Commission (ITC), on request from the Administration or Congress, to conduct fact-finding investigations of the foreign trade practices of other countries and their effect on U.S. industry. While import action is not authorized under this section, such investigations can develop information that may be used in countervailing duty investigations. This is in addition to the burden sometimes placed on foreign industries and governments to supply information. When used, Section 332 can create uncertainty and possibly disrupt trade and investment decisions. Currently, Canadian interests are involved in Section 332 investigations of U.S. trade in cattle and beef, and potatoes and potato products. Canada will work closely with the U.S. International Trade Commission to ensure the most objective reports possible are produced with respect to these and any other Canadian products subject to future Section 332 investigations.

Monitoring Developments Affecting Canadian Interests

Fast-Track Negotiating Authority

Canada will continue to monitor carefully the Administration's progress in securing fast-track negotiating authority from a Congress ambivalent about trade liberalization. Fast-track is an Administration priority for this year, and prominent GOP leaders in both houses have indicated that some agreement should be reached, but no specific proposal is on the table. Canada recognizes that fast track authority will be an important tool to allow the