The following communication, dated 31 May 1989, has been received from the Permanent Mission of Canada.

The Government of Canada wishes to advise the contracting parties of its intention to exercise its GATT Article XXVIII rights to withdraw substantially equivalent concessions in compensation for impairment of Canadian trade in sugar/dextrose blends resulting from actions by the United States regarding their conversion to the Harmonized System (HS).

In converting from the Tariff Schedule of the United States (TSUS) to the HS, the United States has reclassified sugar/dextrose blends from a tariff item (TSUS item 183.05) subject to the sugar-containing product quota (TSUS item 958.18), to a tariff item (HS item 1701.99) subject to the significantly more restrictive sugar quota. This action has effectively precluded imports from Canada of sugar/dextrose blends valued at Cdn. $25 million in 1987.

Documents provided to Canada for the purpose of these negotiations did not indicate that sugar/dextrose blends would be reclassified in this manner as a result of the HS conversion by the United States. It is the Government of Canada's position that this action on sugar/dextrose blends has adversely affected the approximate neutrality vis-à-vis Canada which had been reached in the United States Schedule during the HS Article XXVIII negotiations. Since Canada has substantial supplier status, the rights of withdrawal provided for under Article XXVIII:3 apply.

The Government of Canada has made representations to the Government of United States in an attempt to resolve the matter. However, the United States has been unwilling, to date, to restore the status quo on sugar/dextrose blends. Accordingly, consistent with its rights under Article XXVIII, the Government of Canada intends to withdraw substantially equivalent concessions to compensate for the trade impairment resulting from the United States action.