

...a U.S. free-trade agreement and is nothing short of harassment.

Tim Page, senior vice-president of the Canadian Chamber of Commerce, was so angry his first response was unprintable.

"At the heart of this it's the Americans telling the Japanese if they want to avoid problems, they should establish in the United States because any investment in Canada could be challenged," he said, after calming down a bit.

"This is a clear setback for Canada-U.S. free trade," Honda vice-president Scott Whitlock said in a statement.

Under the bilateral trade deal, 50 per cent of the parts and costs of producing a vehicle must be from either country in order to qualify for duty-free export.

U.S. Customs says the Civics only have 46 per cent North American content because officials say the engines built in Ohio don't qualify as North American.

Honda claims the cars have 66 per cent North American content and said it will appeal the ruling and the \$22 million the Americans want in back duties.

Al Kinzer, Honda of America's vice-president and the engine plant manager, said the ruling is "baffling" for the 2,000 Americans who work at the engine plant.

"We know these are American engines. We make them in Ohio from aluminum ingot and molten iron," he said. "We don't understand Customs rules that don't count basic manufacturing processes such as the casting and machining we do at our engine plant."

Page called the whole thing "a Spanish Inquisition that has all the makings of a John Cleese movie."

seats and seat components.

and painting.



Other

Made in U.S., but with too many parts from Japan to be claimed as North American: automatic transmission; exhaust, muffler and pipes; head lights, tail lights; disc brake assembly.



Made in Japan

Manual transmission, parts for engine and transmission wiring harnesses, door line bumper beams, brake pedal roof liner.

SOURCE: Honda Canada

TORONTO STAR

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SCOTT WHITLOCK



What the Canadian Chamber of Commerce finds so infuriating about the Honda case is that it was launched by the American government and not by the industry itself.

"I think the Americans are being quite disingenuous," said Page. "This is harassment more than anything else."

He said Canada must strongly put forward its case so that foreign investment here is not discouraged.

(Foreign investment into Canada increased \$17 billion between 1987

and 1989. In 1987, the year before the deal was signed, foreigners invested \$101.5 billion. In 1989, that jumped to \$118.5 billion.)

"If this type of harassment at the border is not addressed, it will send a clear message to all manufacturers not to locate future investments in Canada," Honda Canada spokesman Dennis Manning said in a statement.

Don Etchison, head of the Centre for North American Business Studies at Simon Fraser University,

said he's trying to be optimistic.

He said without the free trade deal, Honda could not challenge a ruling to a dispute resolution and would be forced to accept a ruling under U.S. trade law.

"It is clear that this is some bashing and Canada is getting swiped," he said. "But it is time for us to have a dispute resolution mechanism in place."

In Washington, Honda's Whittaker dodged questions about whether the company was a victim of Japanese protectionism at a time when protectionism is running high in the U.S.

"I can't say that. I'm an American. These are American workers that these are American-built," he said, apparently referring to the continent rather than the U.S.

Canadian observers are expecting another blast of protectionism Thursday when the U.S. Commerce Department is due to release a report on whether various governments subsidize the production of softwood lumber.