

Canada Termination Of Bell Canada/Northern Telecom Preferred Supplier Relationship Agreement

Minister for International Trade / Ministre du Commerce International

CANADA

MAR 25 1994

[rubber-stamped date]

Ambassador Michael Kantor

United States Trade Representative

600 17th Street N.W.

Washington, D.C. 20506

U.S.A.

Dear Ambassador Kantor:

On March 11, 1994 I wrote you regarding a situation in which U.S. export advocacy guidelines were being exercised to deny assistance to Northern Telecom based on a reference in the USTR's National Trade Estimates Report on Foreign Trade Barriers (NTE Report). It remains my view that this use of the export advocacy guidelines is contrary to the NAFTA national treatment obligation.

I am pleased to learn that Jean C. Monty and Donald J. Schuenke of Northern Telecom met with you and Secretary Brown on March 17, 1994 to review the matter. Attached to this letter is correspondence I have received from Mr. Monty in which he describes the understanding reached as a result of those meetings. He also states that Northern Telecom and Bell Canada will terminate their 1989 Supply Agreement on March 31, 1994.

You and I discussed this matter on March 21. I confirmed that Bell Canada, as a regulated utility, is subject to appropriate regulatory oversight by the CRTC to ensure, for the benefit of Canadian ratepayers, that purchases of telecommunications equipment by Bell Canada are based on commercial considerations. Moreover, Bell Canada is also subject to the application of the federal Competition Act to ensure against anti-competitive practices.

In our conversation you also confirmed that the reference to Bell Canada-Northern Telecom and the Canadian telecommunications industry would not be contained in the 1994 version of the NTE Report. It is also my understanding that Northern Telecom will, as a consequence, be eligible for U.S. government support for exports from its U.S. operations as agreed in the meetings with Northern Telecom executives.

I believe this outcome will serve to strengthen further the U.S.- Canada trade relationship and provide a level playing field for North American competitors in the international arena.

Yours sincerely,

[signature]

Roy MacLaren

cc: Secretary of Commerce Ronald Brown

Northern Telecom Limited

[corporate letterhead]

JEAN C. MONTY

President and

Chief Executive Officer

March 22, 1994

Honourable Roy MacLaren

Minister for International Trade

Lester B. Pearson Building

125 Sussex Drive

5th Floor, Tower B

Ottawa, Ontario

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Dear Mr. MacLaren:

On March 17, 1994, Donald J. Schuenke, Chairman of Northern Telecom Inc., and I had meetings with Ambassador Kantor and Secretary of Commerce Brown, and members of their respective staffs, to discuss the references to Northern Telecom and the Canadian Telecom Industry in the USTR's 1993 National Trade Estimates Report on Foreign Trade Barriers (NTE Report).

As a result of these meetings, we came to an agreement whereby Northern Telecom and Bell Canada would terminate their 1989 supply agreement and, in return, all references to Northern Telecom and Bell Canada, and the Canadian telecommunications industry, in the 1994 NTE Report would be removed. We were assured that Northern Telecom would, as a consequence, receive U.S. Government support for exports from its U.S. operations as agreed.

This letter will record that I have had further discussions with Bell Canada, and as a consequence both companies will give effect to the termination of the 1989 supply agreement at the close of business, March 31, 1994.

I wish to express my appreciation for your substantial contribution to the resolution of this matter.

[signature for Jean C. Monty]

[AT&T corporate letterhead]

Robert E. Allen

Chairman of the Board

March 24, 1994

The Honorable Michael Kantor

U.S. Trade Representative

600 17th Street, N.W. Room 209A

Washington, D.C. 20506

Dear Ambassador Kantor:

On behalf of AT&T, I would like to thank you for your continuing interest in the Canadian telecom market access issue and your attempts to successfully resolve the serious trade barrier. Since I wrote to you last month about the Canadian telecom market access issue remaining in the NTE Report, I understand that a compromise has been offered and a resolution may be possible before the NTE Report is published. This is certainly good news.

AT&T's measure for success in this effort as stated before is that the government sanctioned preferred supplier relationship between Bell Canada and Northern Telecom must be effectively terminated. This will allow for telecom market access in Canada for American companies to be comparable to the market access Canadian telecom companies now enjoy in the U.S.

In return, AT&T would support the removal of this telecommunications trade barrier from the National Trade Estimates Report, however, we do not believe that the removal of the Canadian telecommunications reference in the NTE Report should precede the removal of barriers to market access in Canada. They should occur at the same time.

I look forward to this issue reaching a successful conclusion. Given the importance of this issue to AT&T, I would be happy to discuss this with you at your convenience.

Sincerely,

[signature for Robert E. Allen]

THE UNITED STATES TRADE REPRESENTATIVE

Executive Office of the President

Washington, D.C. 20506

MAR 29 1994

[rubber-stamped date]

The Honorable Roy MacLaren

Minister for International Trade

Lester B. Pearson Building

125 Sussex Drive

5th floor, Tower B

Ottawa, Ontario K1A 0G2

Dear Minister MacLaren:

Thank you for your letter regarding the Bell Canada-Northern Telecom preferential supplier relationship. I am eased that this relationship is terminated and that the Government of Canada, through the CRTC, will exercise appropriate regulatory oversight. Accordingly, we will remove this issue from this year's National Trade Estimates Report (NTE), with the consequence that Northern Telecom's U.S. products would not be denied advocacy by the Department of Commerce or the Department of State on the basis of being listed in the NTE.

We expect that the formal termination of the preferential supplier relationship will be observed in practice. If, contrary to our expectations, it should prove otherwise, we reserve the right to again include this practice in our report.

I share your view that this outcome will strengthen the U.S.-Canadian trade relationship, notably in the area of telecommunications trade. Thank you for your cooperation in resolving this important issue.

Sincerely,

[signature]

Michael Kantor

OFFICE OF THE UNITED STATES

TRADE REPRESENTATIVE

EXECUTIVE OFFICE OF THE PRESIDENT

WASHINGTON, D.C.

20506

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FOR IMMEDIATE RELEASE Contact: Anne Luzzatto

Tuesday, March 29, 1994 Dianne Wildman

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Statement by United States Trade Representative Michael Kantor on the

Termination of the Bell Canada/Northern Telecom "Preferred-Supplier" Relationship

I am pleased to announce today that Bell Canada, the largest telephone company in Canada, and its affiliated supplier, Northern Telecom, have agreed to end the preferred-supplier relationship between the two companies, effective March 31, 1994. The Government of Canada has confirmed that this procurement relationship, which had been sanctioned by Canadian regulatory decisions, is ended and that the government will apply appropriate regulatory oversight by the Canadian Radio-television and Telecommunications Commission and under the Competition Act to future Bell Canada purchases.

The preferred-supplier relationship had long permitted Bell Canada to seek proposals from Northern Telecom before seeking outside suppliers for its telecommunications equipment requirements. It acted to disadvantage U.S. firms seeking to compete for telecommunications equipment business in Canada. The preferred-supplier relationship, as a barrier to a significant share of the Canadian market, had been listed in the National Trade Estimates Report (NTE) every year since 1987. With the companies' decision to abrogate the contracts that defined the relationship and the Government of Canada's confirmation of these actions, we are removing the references to this relationship from this year's report.

As a result, U.S. exporters will have new opportunities in Canada, and Northern Telecom's U.S. subsidiary will be eligible for U.S. government support under the Commerce and State Department's export advocacy program and cannot be denied support on the basis that the National Trade Estimates Report identifies any Canadian practices relevant to their telecommunications products. Northern Telecom employs more than 20,000 Americans in telecommunications manufacturing and R&D in North Carolina, Tennessee, Florida, and other locations in the United States.

The U.S. Government has the right to reinstate references to Canadian procurement practices in the NTE if, contrary to expectations, the termination of the preferred-supplier relationship is not effective.

We are confident that these positive steps by the Government of Canada, Bell Canada, and Northern Telecom will strengthen the U.S.-Canadian trade relationship, notably in the area of telecommunications trade.

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*TANC offers these agreements electronically as a public service for general reference. Every effort has been made to ensure that the text presented is complete and accurate. However, copies needed for legal purposes should be obtained from official archives maintained by the appropriate agency.*