

**GENERAL AGREEMENT
ON TARIFFS AND TRADE**

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TRADE POLICY REVIEW MECHANISM

CANADA

MINUTES OF MEETING

Addendum

Written Answers to Questions

GENERAL ECONOMIC AND TRADE PERFORMANCE

Questions raised in this section touch upon the role of exchange rates, the measures to control the deficit, the role of trade in the economic recovery and the structure of trade.

As was accurately stated in the Secretariat's report, trade has quite clearly been the motor of economic recovery for the Canadian economy. Canada's GDP depends to a very large extent on trade and it is for that reason that the government has been pursuing policies aimed at trade liberalisation within a framework of improved rules.

Regarding the geographic distribution of trade, there has been a clear movement towards greater concentration on the U.S. market. This has to be seen against the backdrop of the 1991-93 period in which the U.S. economy was among the first to begin its recovery from the recession and Canada was fortunate enough to be well positioned to take advantage of that growth in demand. Government policy is another matter. Its aim is to diversify our trade and that explains why we are actively pursuing trade opportunities in major markets such as Japan, the EU, through expansion of NAFTA, and why we have played such an active role in APEC.

- Q. Is Canada not placing too great a dependence on exchange rate policy to promote economic recovery? (Mexico)
- A. It is incorrect to state that there is "too great" a dependence on exchange rate policy.

Canada allows the Canadian dollar to float, its day to day price being determined in foreign exchange markets themselves. The Bank of Canada may intervene on a very short-term basis only to moderate extreme movements and fluctuations in the value of the Canadian dollar.

Monetary and fiscal policy of course will have an impact on the exchange rate. Canada continues to meet its targets for price stability, and the government is committed to medium term deficit reduction, so as to place the debt-to-GDP ratio firmly on a downward slope.

- Q.** Does Canada not think that its increasing dependence on the USA as an export market will lead to potential problems, especially in times of economic downturn? (Mr. Lundby - discussant)
- A.** Canada and the U.S. are each other's largest customers with the world's largest two-way trade in merchandise, services and investment income amounting to CDN \$337 billion in 1993. The U.S. economy is one of the most open and competitive markets in the world. The implementation of the Canada-U.S. FTA in 1989 began a process of lowering trade, services and investment barriers between Canada and the U.S. During the 1991 recession, Canadian exports to the U.S. declined by 2.7 percent while Canadian exports to the rest of the world fell by 5.5 percent. Currently, the U.S. economy is the fastest growing industrialized economy. The strong growth in Canadian exports to the U.S. market reflects increased U.S. demand for imports and the competitiveness of Canadian products. As world economic growth accelerates, Canadian exporters are well situated to compete on world markets and take advantage of the growth in world demand.

The 1994 implementation of the NAFTA has included Mexico with Canada and the U.S. in the process of lowering barriers to trade in goods, services and investment.

The NAFTA agreement was expected to lead to an expansion of trade amongst the three partners. Indeed, one of the first effects of the NAFTA was an increase in the Canada-Mexico trade. Compared with the same period last year, trade between the two countries increased by 34% during the first six months of 1994. The total value of trade jumped from CDN \$2 billion to CDN \$2.8 billion and Canadian exports rose by CDN \$90 million. Increases in Canadian exports to Mexico were noted particularly in certain types of textiles and agricultural goods.

Canada's trade with the U.S. increased by 18% during the same period. Canadian exports to the U.S. reached CDN \$82.9 billion for January to June 1994 compared to CDN \$70.2 billion for the same period in 1993. Imports totalled CDN \$66.5 billion, leaving an accumulated positive balance of CDN \$16.4 billion for the first half of 1994.

- Q.** What are the Government's long-term plans to deal with the federal and provincial fiscal deficits? (Mexico)
- A.** The current fiscal situation of the Government was presented by the Minister of Finance in a statement before Parliament on October 18, 1994. The Minister reiterated the government's long term objective to eliminate the fiscal deficit. However, as an interim objective, the Minister indicated that the Government intends to reduce, by fiscal year 1996-97, the budgetary deficit to 3% of GDP compared to 6% of GDP recorded for the current year. Specific measures to that effect will be announced in the next budget speech, normally delivered in late February. The Government is currently conducting a series of consultations to find solutions acceptable to Canadians.

With regard to provincial deficits, after years of steady deterioration, provinces have started to make substantial though uneven, progress in tackling budget deficits. Thanks to the adoption of medium-term fiscal plans, that all provinces now feature, most jurisdictions

are expected to balance their budget by 1996-97. Furthermore, based on the different outlined plans, the overall provincial deficit should be balanced by 1998-99. While this might turn out to be an overly optimistic forecast, it remains that the budgetary situation of the provinces should be in relatively good shape by the end of the century.

Therefore, provincial fiscal policies will complement the efforts of the federal government to reduce its own fiscal deficit. As a result, the public sector will make a direct contribution to the attainment of the durably lower interest rates which are warranted by Canada's excellent inflation record. Thus, macro-economic policy stability will be secured.

Lower public deficits will also reduce the public sector's draw on savings and, in the process, should also reduce Canada's reliance on foreign savings. This would make a positive contribution to Canada's trade performance.

- Q. Has Canada done an evaluation of the regional concentration of Canadian outbound foreign direct investment? (Egypt)
- A. The government does not regulate the destination of Canadian direct investment abroad and there are no restrictions on outbound foreign investment. However, to facilitate Canadian foreign investments, Canada has initiated an active program of negotiating bilateral foreign investment protection agreements with developing countries aimed at the promotion and protection of investment.

Tables on stocks and flows of Canadian direct investment follow.

Canadian Direct Investment Abroad - Stocks (year end book value) - 1990-1993

(a) By country

CDN\$ million

	US	UK	Other EC	Japan	Other	Total
1990	55420	11810	6716	918	16677	91541
1991	58386	13370	8147	2292	18890	101085
1992	61527	11360	9251	2641	21423	106534
1993	65072	12416	10347	2973	24568	115375

Source: Statistics Canada "Canada's International Investment Position" - Cat. no. 67-202, table 1.

(b) By sector

CDN\$ million

	Wood & paper	Energy & metallic minerals	Machinery & transportation equipment	Finance & insurance	Services & retailing	Other industries	Total
1990	3516	20340	3080	21576	42849		91541
1991	3392	21519	2492	24392	49290		101085
1992	3516	23158	2812	26659	50389		106534
1993	*	*	*	*	*		115375

Source: Statistics Canada "Canada's International Investment Position" - Cat. no. 67-202, table 4.

* 1993 sectoral breakdown not yet available

Canadian Direct Investment Abroad - Net Flows* - 1990-1993

(a) By country

CDN\$ million

	US	UK	Other EC	Japan	Other	Total
1990	-2438	-1222	-329	-257	-734	-4900
1991	-2493	-1013	-386	-32	-2277	-6200
1992	-1316	-1213	-592	-315	-1064	-4500
1993	-3208	-387	-1532	-271	-4024	-9242

Source: Statistics Canada "Canada's Balance of International Payments" - Cat. no. 67-001, table 10.

* not including retained earnings

(b) By sector

CDN\$ million

	Wood & paper	Energy & metallic minerals	Machinery & transportation equipment	Finance & insurance	Services & retailing	Other industries	Total
1990	-429	-997	-299	-776	-1356	-1044	-4900
1991	-245	-1172	-282	-784	-821	-2896	-6200
1992	-120	-1630	-177	-250	-829	-1494	-4500
1993	-345	-1782	-267	-1943	-1969	-2936	-9242

Source: Statistics Canada "Canada's Balance of International Payments" - Cat. no. 67-001, table 10.

* not including retained earnings

- Q.** How does Investment Canada determine whether new business and acquisitions of existing companies of any size in areas involving cultural heritage and national identity are of net benefit to Canada? How is the net benefit test conducted?
- A.** By way of background, in January 1992 the federal government revised its foreign investment policy in the Book Publishing and Distribution sectors to conform more closely to the approach taken in other cultural sectors, i.e., businesses in activities related to Canada's cultural or national identity (including the publication, distribution and sale of books; magazines and newspapers; films; music; video and audio recordings; and radio and television).

At this time, the government also strengthened its capacity to apply the definition of what constitutes a Canadian-controlled company through the incorporation of an anti-avoidance clause in the Investment Canada Act (ICA). In addition, the announcement stipulated that (i) foreign investment in new business enterprises in the industry would be limited to Canadian-controlled joint ventures, (ii) acquisition of an existing Canadian controlled business by a non-Canadian would only be permitted under extraordinary circumstances; (iii) successful non-Canadian bidders for a Canadian book enterprise would be subject to a net benefit test under the ICA and (iv) indirect acquisitions of Canadian book businesses would be reviewable under the ICA.

In determining the net benefit of a prospective investment, the Investment Canada Act specifies that certain factors be taken into account including, among others, the effect of the investment on the level and nature of economic activity in Canada, and the effect of the investment on competition within an industry or industries in Canada. In addition, with respect to cultural industries, a contribution to Canadian cultural objectives is also of importance in determining net benefit concerning industries involving Canadian cultural heritage or national identity. Policy statements have been articulated in each of the cultural industry areas. Please note that the new liberalized investment thresholds (to be extended under the WTO on a m.f.n. basis) do not include investment in services covered under separate sectoral agreements such as cultural industries.

- Q.** What plans does the Government have to increase the level of R and D? (Finland)
- A.** With Cdn \$6 billion in direct expenditures and another Cdn \$1 billion in tax support the Federal Government is the largest investor in Science and Technology (S and T) in Canada. Both the federal and provincial governments in Canada actively promote R and D on a wide range of fronts in Canada. Efforts to increase R and D spending in Canada are numerous and include the following:

On the domestic policy front, the federal government works to promote national or Canada-wide science and technology networks e.g., the Networks of Centres of Excellence, Strategic Alliances Program, Human Frontier Science Program and the various programs of the Natural Sciences and Engineering Council;

On the legislative front, amendments have been made to a variety of intellectual property statutes by a number of omnibus bills, many of which were designed to fulfil Canada's GATT and NAFTA obligations. The entering into force of a variety of intellectual property bills has created a more positive investment climate in Canada by improving intellectual property protection, thereby encouraging basic R and D in many sectors.

Through the corporate tax system, Canada continues to offer an attractive incentive for manufacturing companies (both small and large corporations) to engage in R and D. At the tax system level, the federal government is joined by half of the ten provinces who also offer R and D tax incentives.

In 1992, the Department of Industry completed the development of the Whole Enterprise Strategy for the acquisition and diffusion of technology. This strategy now serves as a framework for the delivery of policies, services and programs relating to technology acquisition and diffusion. Ongoing support for the National Research Council's Industrial Research Assistance Program is a key point of this strategy. Under this initiative, the Federal Government participates in a wide variety of science and research and development oriented programs whose objectives involve basic research and development activities.

More recently in 1994, the government announced a comprehensive review of federal spending on S and T. Following extensive consultations with Canadian stakeholders, the federal government will be releasing a new federal Science and Technology policy in the spring of 1995. This review is intended to ensure to strengthen Canada's ability to take advantage of S and T and innovation.

Q. Tax credits granted to firms by the Canadian Government for R and D vary according to the nationality of ownership.

Are there any plans to change this policy? (Hong Kong)

A. The Canadian government provides tax credits for R and D to any Canadian taxpayer in business. Canadian controlled private corporations (CCPCs) earn R and D tax credits at a higher rate than the typically larger non-CCPCs. The higher tax credit rate for non-CCPCs is intended to make the after-tax costs of carrying out R and D roughly equivalent for small and large corporations. Since the tax rate on large corporations is generally higher, the value of any R and D deduction for the large non-CCPCs is greater than that of the smaller CCPCs. The higher rate of R and D investment tax credit for smaller CCPCs therefore reverses this effect.

MULTILATERALISM AND REGIONALISM

We believe that these are but two sides of the same coin where Canada is trying to find the best vehicles to further its objectives of expanding trade within rule-based frameworks to the benefit of its people. With regard to the Uruguay Round, Canada stated its primary objectives and indicated its determination to pass implementing legislation before year end. As regards NAFTA, there were a number of questions or observations touching on trade diversion, accession and rules of origin.

Q. What will be the effects of the Uruguay Round Agreement on the Canadian economy? (Poland)

A. A number of studies conducted by the GATT, the OECD and private sector institutions have tried to estimate the quantifiable gains of the Uruguay Round and included Canada in their research. Various researchers have estimated the quantifiable gains for Canada at between 0.2 and 1.2 per cent of national income. In Canada, the federal Department of Finance conducted its own study using a general equilibrium trade model of the Canadian economy and has estimated the quantifiable Canadian gains of the Uruguay Round will result in at least a 0.4 per cent increase in real income or CDN \$3 billion annually when

the agreement is fully phased-in. This translates into an ongoing gain of Cdn \$400 in 1993 dollars for a family of four. These figures likely underestimate the total overall impact since they do not capture dynamic effects nor do they include trade in services.

- Q. How does Canada see its entry into NAFTA affecting trade activity with third countries? Has Canada made any assessments of the trade creating and trade diverting effects of NAFTA? (Switzerland, Australia)
- A. Canada, and the other NAFTA partners, firmly believe that the NAFTA is a trade creating agreement and is consistent with our GATT obligations. The first article that establishes the agreement affirms its consistency with GATT Article XXIV. Moreover, it is an open agreement with provision for accession by interested countries willing to accept its obligations. The benefits of a GATT-consistent FTA are in terms of world growth and from the gains in incomes and efficiency in resource allocation that arise from trade liberalization between the trading partners. We look forward to discussing these issues at the GATT working party on NAFTA early next year.
- Q. The Canadian Government has been quoted as indicating that it would pursue a better international trading framework at every appropriate opportunity including, through the expansion of NAFTA to other countries in the region and elsewhere. In this connection, with which countries does the Canadian Government intend to begin NAFTA membership discussions, and when? (Hong Kong)
- A. NAFTA is an open agreement with provisions for accession by interested countries willing to accept its obligations, and Canada's position is that NAFTA is, and will remain, open to any country able and willing to undertake the NAFTA obligations, including those in the environment and labour side agreements. Canada believes it is important to proceed successfully with the first accession to NAFTA before undertaking other accessions, and has strongly indicated its preference for early initiation of negotiations leading to Chile's accession to NAFTA. NAFTA partners and Chile are currently in preliminary discussions on this issue, but there has been no decision as yet to start negotiations.
- Q. How would Canada prefer to expand its free trade area, through individual accessions to the NAFTA or linking up with another regional FTA, such as MERCOSUR? (Ambassador Lamprea - Discussant)
- A. While we have not been approached by MERCOSUR on this issue, Canada's position is that NAFTA is, and will remain, open to any country or group of countries able and willing to meet the NAFTA obligations, including those in the labour and environment side agreements. Specifically, NAFTA Article 2204 on Accession refers to "any country or group of countries". Canada's immediate preference is for the first accession to proceed successfully.
- Q. How does Canada see the development of trade relations with Europe given the policy and trade implications of the NAFTA? (Finland)
- A. Having implemented NAFTA, Canada is especially cognizant of the need to maintain strong trading relationships with other contracting parties so as to ensure diversity in its trade. As the EU is Canada's second largest trading partner, we place a special importance on Canada-EU trade. The great majority of Canada-EU trade takes place without problem

or dispute and the implementation of the Uruguay Round presents real opportunities to increase bilateral trade and investment flows.

Unfortunately, those disputes which have arisen in Canada-EU trade have proven difficult to resolve. Canada hopes that the improved dispute settlement procedures, agreed to in the Uruguay Round, will result in speedier dispute settlement in the future.

Canada remains strongly committed to trans-Atlantic trade relations. We continue to work with the European Commission, pursuant to the 1976 Canada-EU Framework Agreement for Economic Cooperation, to foster closer economic ties. In the months ahead we hope to conclude an Agreement on Science and Technology with the European Union. We are also negotiating an Agreement on Mutual Recognition of Testing and Certification of Product Standards, and an Agreement on Customs Cooperation. We have recently implemented an Agreement on Mutual Protection of Integrated Circuit Topographies. We hope that initiatives like these will lead to enhanced Canada-EU trade.

- Q. Please confirm that NAFTA thresholds for foreign direct investment will be multilateralized. When? (EU)
- A. The so-called "NAFTA thresholds" will be given to all WTO members on an MFN basis. This commitment will apply both to goods and services, and has been included in Canada's UR implementing legislation.
- Q. How can the Government of Canada promote the strengthening of the multilateral trading framework as a trade policy objective when NAFTA has been negotiated to take precedence over GATT to the extent of any conflict? (Hong Kong)
- A. The Government is committed to the principle of a rules-based multilateral system as the preferred option for Canadian trade policy and has reaffirmed in the preamble to Bill C-57, An Act to Implement the Agreement Establishing the World Trade Organization, that this system remain the cornerstone of Canadian trade policy.

The Government believes that existing bilateral and regional trading arrangements such as the NAFTA are complementary to and consistent with our multilateral objectives and obligations. The GATT and the WTO establish an internationally-agreed set of rules and procedures for the conduct of international trade, whereas the NAFTA, also a rules-based agreement, further elaborates and adapts these rules and procedures for the particular circumstances of our largest and most important market, North America. The NAFTA further complements our multilateral objectives by lowering barriers to trade in a number of areas not addressed by the GATT. The NAFTA is fully consistent with the GATT provisions on free trade agreements in that it facilitates trade between the constituent territories and does not raise barriers to the trade of other countries. Furthermore, the NAFTA Parties state their resolve, in the Preamble to the Agreement, to build on their rights and obligations under the GATT and through other multilateral and bilateral instruments of cooperation.

The Government believes that bilateral or regional arrangements can provide opportunities for addressing issues on which agreement has not yet been reached in multilateral fora. Such agreements allow Canada to pursue trade liberalization further and faster with specific

trading partners than the somewhat slow-moving multilateral system would sometimes allow. Progress made in bilateral and regional agreements tends to stimulate further trade liberalization in the multilateral system.

While the Government remains committed to the principle of a rules-based multilateral system as the preferred option for Canadian trade policy, other options such as bilateral and regional arrangements will also be considered if they provide opportunities for promoting Canada's economic interests or if progress along multilateral avenues should become blocked. Opportunities in the Asia Pacific are already being pursued vigorously and the recent Jakarta Declaration to eliminate trade and investment barriers in the region in twenty-five years reflects this commitment. The Government is also exploring strengthened trade and economic ties with Europe and countries in Latin America and the Caribbean.

FEDERAL/PROVINCIAL ISSUES

A number of CPs asked questions about the federal provincial dimension of implementing the Uruguay Round Agreements. First, a truism: Canada is the Contracting Party and is bound by its obligations under Article XXIV:12. That said, provincial governments may have to modify certain laws and regulations in areas under their jurisdiction, particularly in the services sector. The provinces were fully consulted and involved in developing the objectives and the negotiating positions for the Round. In the negotiations, Canada made no commitments in areas requiring changes to provincial legislation without first gaining the approval of the provinces.

While formulation of Canada's trade policy is a federal responsibility, the Government takes full account of provincial interests and points of view and is committed to close consultation with the provinces and territories on international trade matters. In recent years, the level of federal-provincial consultation on trade issues has been unprecedented, a welcome development that has confirmed the mutual benefits of working together in common cause. The government will continue working actively and closely with the provinces and territories during the WTO implementation period, and throughout the future evolution of the Agreement.

CPs also raised a number of questions on interprovincial trade barriers, standards, and liquor board practices.

- Q. It has been estimated that the Internal Trade Agreement covers only 1 per cent of existing interprovincial trade barriers. Please comment. (Nordics)
- A. The new Internal Trade Agreement includes agreements in ten major areas which will collectively address the vast majority of existing interprovincial trade barriers. These include the following major areas of known interprovincial barriers: agricultural and food products; alcoholic beverages; communications; consumer-related measures and standards; environmental protection; investment; labour mobility; natural resources processing; procurement and transportation. The most substantial areas of the agreement which have been identified as having the greatest impact on the elimination of internal trade barriers include the following: procurement, alcoholic beverages and investment.

Further, the Agreement also mandates continued negotiations in the energy sector (to be completed by July 1, 1995), the extension of procurement obligations to municipalities, academic institutions, schools and hospitals (to be completed by June 30, 1995), as well

as on the inclusion of Crown corporations by July 1, 1996. In addition, the Agreement also envisages new negotiations on sectors or problem areas that may be identified as implementation proceeds.

In this context, it may also be noted that the original study issued by the Canadian Manufacturers' Association (CMA) in April 1991 (which estimated approximately 500 existing barriers) also indicated that the elimination of interprovincial barriers affecting government procurement, alcoholic beverages and agricultural products and services would result in the greatest economic benefit to Canada. In that these areas, as well as others identified by the CMA, have been included in the Agreement, most of the substantive and tangible problem areas have been addressed, as opposed to the "estimate" of only 1 per cent. Furthermore, several provinces have also carried out bilateral negotiations with a view to reducing interprovincial trade barriers. It is expected therefore that the Agreement will lead to a more open, efficient and stable domestic market in Canada.

- Q. What is the time frame for implementation of the Internal Trade Agreement (ITA) and what are the expected benefits? (New Zealand and EU)
- A. The ITA is a framework agreement based on the operating principle that governments should ensure the free movement of persons, goods, services and investments across the country. The Agreement contains general rules to apply prospectively as well as specific liberalization commitments effective on the date of entry into force - scheduled for July 1, 1995 - and a list of specific measures subject to be eliminated over time. The Agreement also contains commitments to future negotiations to remove barriers or to expand the scope and coverage of disciplines in a number of areas. The Committee of Ministers responsible for internal trade is also empowered to identify additional sectors or activities which may be identified for future negotiations.
- Q. How does the ITA address the issue of inconsistencies in federal and provincial standards and practices affecting internal trade, i.e., electric energy and agricultural products? (U.S.A.) (Mexico had similar question)
- A. The Agreement devotes considerable attention to the question of government regulations and standards-related measures. The Agreement obliges governments to work toward the reconciliation of standard related measures either through the application of the principle of mutual recognition or full harmonization.

Some sectoral chapters, notably the Agriculture Chapter, contain more specific commitments to develop and implement common national standards affecting the interprovincial movements of particular products. Negotiations are continuing on energy-related issues with a mandate to report back to the Committee of Ministers by July 1, 1995.

- Q. How does the ITA deal with interprovincial barriers to trade in procurement? (EU) (U.S.A. had similar question)
- A. The Agreement provides for a substantial liberalization of government procurement practices. It covers all purchases of goods (over \$25,000), services and construction (over \$100,000) made by all provincial and federal governments departments and agencies.

The Agreement will also apply to all procurement by municipalities, academic institutions, schools and hospitals within 2 years. Future negotiations to expand the coverage to Crown corporations (e.g., public utilities) are to be carried out over the next two years.

The Agreement also sets out detailed rules concerning tendering processes, including an undertaking to use electronic systems to facilitate access for all suppliers.

Q. Is it true that the dispute settlement panels under the ITA have no enforcement powers? How will panel decisions be enforced in practice? (EU)

A. Implementation and enforcement of panel findings and decisions is dealt with in Article 1708, 1709, 1710, 1719 and 1720 of the ITA. ITA dispute settlement panels, in themselves, do not have concrete policing or enforcement powers.

The procedures established are designed to encourage early practical cooperation among Parties. Compliance is expected to be achieved through the progressive sequential operation of the process, including pressure at the direct Ministerial level and the prospect of sanctioned retaliatory measures.

The effectiveness of the ITA's dispute settlement procedures cannot be accurately assessed until after it actually comes into force, July 1, 1995. It is expected that ITA panel findings and decisions will be at least as effectively enforced as under pre-MTN GATT arrangements.

Q. Given the need for federal and provincial governments to adopt mutual recognition and coordination of product standards, what steps has Canada taken to implement the recommendations of the 1993 House of Commons Subcommittee on Regulation and Competitiveness? (Australia)

A. Under the Agreement, the Parties undertake to reconcile their standards and standards-related measures by harmonization, mutual recognition or some other means. All Parties also undertake to ensure their legislation and regulations are readily accessible. The provinces and the federal government agreed that, should they adopt or modify a measure that may affect the flow of internal trade, they will notify the other Parties with an interest in the matter. Furthermore, there is a provision for all members of the Agreement to maintain enquiry points to answer reasonable enquiries.

Q. When will Canada produce an offer under the Government Procurement Agreement expanding coverage to the sub-federal level? (Switzerland) What are Canada's plans regarding the possible inclusion of the full range of procurement practices under the disciplines of the Government Procurement Agreement? (Australia)

A. Canada was an active participant in the negotiation of the new Government Procurement Agreement. At the time the negotiations concluded, we did not have a clear measure of the overall value of the offers being made by some of the major participants in the negotiations and so were not in a position to put forward an offer for coverage at the sub-central level. We did undertake, however, to cover entities in all ten provinces on the basis of commitments obtained from provincial governments and to provide the final list of sub-central coverage within eighteen months after the conclusion of the new Agreement. The federal government has met again with provincial officials in all provinces in recent

weeks, and we are confident that we will meet the deadline mentioned in our offer, namely by mid-October 1995.

In addition, Canada fully supported the decision taken by the Committee on Government Procurement to allow further negotiations to take place between the signing of the Agreement and its coming into force in January 1996; we are prepared to continue discussions in 1995 so that the coverage of the Agreement can be as broad and balanced as possible on the day that it comes into force.

GENERAL TRADE POLICY QUESTIONS

Tariff simplification

A number of questions were raised regarding the tariff simplification that Canada has announced and which was notified last May. In its notification, Canadian authorities indicated that this review would be conducted over a three year period.

There is no question that Canada has a very complex tariff system. It was not designed with a view to complicate things. In fact, many of these complications have benefitted Canada's trading partners. There are three systems of preferences for developing countries: these are the GPT, the Commonwealth preferences and the Caribbean program. In addition, there are the NAFTA rates of duty with the USA and Mexico, and other tariff preferences for New Zealand and Australia. Our trading partners have also benefitted through the various autonomous measures that Canada has implemented, such as concessionary rates and duty remissions.

A number of questions were raised regarding whether Canada would convert specific rates to ad valorem rates or whether rates in certain areas would be reduced, and how the views of trading partners would be considered. There is a tariff simplification exercise underway, and it is much too early to speculate as to the possible outcomes of this three-year review and whether it will also encompass unilateral liberalizations. However, Canada would draw the attention of those interested in the notification that was circulated as L/7451 on May 6, 1994, and in particular to the statement that Canada's trading partners will be informed of developments in the course of the review and will be provided with an opportunity to consult on proposals to simplify the existing tariff system.

Further to the question raised by the representative of the Czech Republic regarding non-tariff measures Canada can respond that the review is limited to matters pertaining solely to the Canadian tariff system.

- Q. As a result of the UR, Canada maintained high tariffs on certain items not produced in Canada. Why does Canada have to maintain such high tariffs on the products which it does not produce? (Japan)
- A. The Canadian tariff system does have provisions under which duties can be waived in cases where there is no production in Canada. A number of products currently benefit from these provisions including consumer products, industrial equipment and machines and materials for further manufacture.

On a more general note, Canadian tariffs are not "high". Canada was extremely forthcoming in tariff reductions in the Uruguay Round. For example, in meeting the

Round's target reduction, we joined all of the sectoral agreements for tariff elimination and harmonization unlike many other major trading countries. Few other countries can boast such tariff liberalization. Indeed, at the end of the day, Canada was prepared to go further on multilateral tariff reductions, including additional "zero for zero" sectors, but we were frustrated by other countries' refusal to move any further.

Q. It is noted that the elimination of the drawback scheme for USA or Mexico-bound exports will be actually another form of tariff increased. What is the view of Canada on the consistency of this elimination with paragraphs 4 and 5(b) of Article XXIV of the GATT? Also, what measures does Canada intend to take in order to dampen the effect of the elimination of the drawback system? (Japan)

A. Canada disagrees that the changes in Canada's drawback program for goods exported to NAFTA countries effectively represents an increase in tariffs to non-NAFTA countries. After a period of time, materials that enter Canada from non-NAFTA countries and are transformed into new, NAFTA-originating products will not be eligible to receive drawback. However, these goods will receive duty free access when imported into another NAFTA country.

Materials imported from non-NAFTA countries which are processed, but not transformed into NAFTA-originating products will be eligible to receive a drawback equal to the lesser of the Canadian duties on the imported material or the US or Mexican duties paid on the exported good. Under this arrangement, the NAFTA avoids double tariffs on non-originating goods traded within the region.

If the goods are exported from Canada to a non-NAFTA country, the Canadian exporter may continue to claim drawback as always. If non-NAFTA goods are imported into Canada and re-exported to the US or Mexico in the same condition, drawback may be claimed in full.

Q. What is the present situation under the NAFTA with respect to duty drawbacks and waivers, especially for automobile manufacturers in Canada? (Japan)

A. The previous reply applies equally to all producers with respect to drawback, including automobile manufacturers. As regards other duty waiver programs related to the automobiles sector, as indicated in the Secretariat Report, the production-based programs for certain producers are scheduled to end in 1996 while the phase-out of export-related remission programs will be completely eliminated by 1998. The Report indicates that these changes were the result of the NAFTA. In fact, these changes were agreed to under the Canada-U.S. FTA and this provision was carried over to the NAFTA. As in the case of the Canada-U.S. FTA, the Auto Pact is maintained under the NAFTA.

GSP

Canada's General Preferential Tariff (GPT) product coverage is currently extended to over 4,000 products including a wide range of manufactured goods, processed agricultural goods and primary products.

On January 31, 1994, Canada tabled legislation to extend the GPT for a further ten year period beyond its expiry date of June 30, 1994. The Government also indicated that consultations would be

held with interested parties on the possible extension of GPT product coverage and reduction of GPT rates, particularly for the less developed countries. This announcement was made in view of the recent result of the Uruguay Round of the Multilateral Trade Negotiations where as a result of the substantial tariff cuts agreed to by Canada, the margin of the GPT tariff or preference (the difference between the MFN rate of duty and the GPT rate of duty) will be reduced or eliminated. The Government also announced that it would be examining the desirability of maintaining the GPT for those countries which have reached a high level of economic development.

The Government has now consulted with interested parties and will shortly be publishing, for public comment, the draft results of this review. Revisions which result from the GPT review will be implemented in 1995.

Import Licensing

Canada's Import Control List is administered in a manner that is fully consistent with Canada's GATT obligations. Quota levels and details of administration are published and importers have a right of appeal with respect to administrative decisions, including the right to appeal to the courts of Canada. The system functions efficiently, with permits delivered to importers in most major centres within minutes of their application.

Officials are constantly reviewing the administration of the Export and Import Permits Act in order to respond to changes in trading practices and to improve the service to the public.

The Import Control List is defined in terms of individual products for the simple reason that the legislation, the Export and Import Permits Act, refers to products rather than tariff lines. However, in the day to day administration of the Act, product quotas are expressed in terms of a control code that is based on the Harmonised System. Importers therefore know exactly to which tariff lines the various quotas relate. This correlation has proven very useful in facilitating imports under the EIPA, and the Canadian authorities intend to continue this system.

Q. Does Canada plan to maintain discretionary licensing after the tariffication of agricultural programs under the UR Agreement? If so, how would this be justified? (Australia)

A. Canada will maintain import licensing for agricultural products subject to tariff rate quotas in order to provide a certain degree of certainty to importers and exporters. With respect to a few products -- margarine, wheat, barley and their products; and beef and veal for a transitional period -- there will be no allocation of quota shares and import licenses will be issued on a first come/first served basis. For the products subject to quota allocation, the system is essentially one of importer allocations. Licences will be issued automatically to those with quota allocations. To ensure the fullest possible use of these allocations, penalties will continue to apply for under-utilization.

It should be noted that, for all agricultural products that are subject to tariffication, individual import licenses will be required only for in-quota imports, over quota imports will come in under General Import Permits, which may be freely invoked at time of importation and do not require a specific application.

Import Prohibitions

- Q. Would Canada provide details of when it will remove other prohibited imports which are banned for the sole purpose of providing assistance to local industry? (Australia)
- A. Canada's import prohibitions on oleomargarine and metallic trading checks from all sources have been eliminated under the NAFTA and the WTO implementing legislation respectively. Canada has no plans at this time to eliminate other prohibitions listed in Table IV.6 of the Secretariat Report.

Rules of origin

The Secretariat report and a number of contracting members have raised questions whether the new NAFTA rules of origin will divert trade away from third countries in favour of NAFTA partners, particularly in the areas of clothing and motor vehicle components. In addition, it has been suggested that the new NAFTA rules will penalize Canadian producers and their foreign suppliers.

Many of the changes in the rules were made in order to improve the transparency and to reduce the administrative burden on producers and exporters. A clear example is that the regional value content test has been replaced by tariff shift rules for a wide range of products. It only makes sense to base the new tariff shift rules on those components that would be required to come from within the region in order to meet the old value content test under the FTA.

We believe trade creation effects of NAFTA will be positive and enduring, outweighing any temporary trade diversion that might arise, because of the economic benefits from expanding the free trade area. We are also confident that the expansion of the free trade area will allow Canadian producers to further increase their competitiveness. The resulting increase in economic competitiveness and prosperity in the three NAFTA partners, coupled with the reduction in Canada's MFN rates by over one-third, can lead to only one result, increased trade with the rest of the world.

- Q. NAFTA Article 403:5 allows for the regional value-content requirements on automotive goods to be higher than that required by the Canada-US Free Trade Agreement. Please explain in detail the difference of such local content requirements on automotive goods between the NAFTA and the Canada-US Free Trade Agreement. Why have these differences been made? (Japan)
- A. New NAFTA rules of origin for motor vehicles provide a strong incentive to encourage the purchase of parts in North America in exchange for duty-free trade in the NAFTA territory and provide a more accurate and transparent calculation of North American value-added than the former Canada-US Free Trade Agreement (FTA).

Under the NAFTA, the value-added level rises in two steps over eight years from 50 per cent to 62.5 per cent for cars, light trucks and their engines and transmissions, and from 50 per cent to 60 per cent for other motor vehicles and parts. The value-added level under the FTA was fixed at 50 per cent.

The tracing requirement for automotive goods requires that the value of certain non-originating automotive parts imported from outside North America be included in the value of non-originating materials used in the production of an automotive good regardless of whether the imported goods have since been incorporated into originating goods. The tracing requirement provides for a more accurate value-added calculation than existed

under the FTA, allowing producers to include as North American content any value-added to an imported part after it has entered North America.

Under the FTA, the value-added calculation was based upon a cost build-up equation. This equation was at the centre of two trade disputes between Canada and the United States in 1991-1992. The NAFTA equation (referred to as the net cost method), is a top down calculation, the starting point being all costs reported on the producer's books. The NAFTA equation improves the transparency of the value-added calculation and addresses the ambiguities of the FTA equation which were factors in the disputes.

- Q. We note that different sets of origin rules are currently applied to imports under different tariff schemes. Does the Canadian Government have any plans to rationalize and/or harmonize the various sets of rules? If so, what is the time frame and preferred set of rules? (Hong Kong)
- A. Canada will be actively participating in the WTO harmonization of the Rules of Origin work programme on non-preferential rules. Once completed, Canada may then be prepared to review the harmonization of rules for other purposes including tariff treatments.

Trade Remedies – Anti-dumping (A/D) Actions

- Q. Canada says that it is considering within the NAFTA alternatives to current trade remedy measures. What might these be and what will be their effect on third parties? (Czech Republic)
- A. Under the NAFTA, the Governments of Canada, Mexico and the United States have agreed to seek solutions that reduce the possibility of disputes concerning the issues of subsidies, dumping and the operation of trade remedy laws regarding such practices. The three governments have established a trilateral working group on subsidies and another group on dumping and antidumping duties. These groups will build on the results of the Uruguay Round and on experience in regard to these issues. The working groups have been instructed to complete their work by December 31, 1995. At this point in time it is premature to speculate as to the outcome of these consultations and therefore as to what their subsequent effect might be on third parties.
- Q. We note that "normal" prices are set and announced in advance under the Canadian anti-dumping system. How does this "normal" pricing mechanism operate? Is it a kind of price undertaking under Article 7 of the Anti-Dumping Code? Does it affect all subject imports or only those under anti-dumping investigations? As far as current anti-dumping measures are concerned, what proportion of subject imports have been imported at or above such "normal" priced, hence avoiding the actual payment of anti-dumping duties? (Hong Kong)
- A. Normal values are determined on the basis of an anti-dumping duty investigation conducted by Revenue Canada. It is not a price undertaking as provided under Article VII of the AD Code. Rather, it is a price below which dumping has been determined to have taken place. It affects only those goods subject to an anti-dumping finding.

The Canadian system is prescriptive rather than retrospective in nature. By this method, exporters who cooperate fully in an investigation conducted by Revenue Canada may avoid payment of anti-dumping duties by pricing goods at or above the determined normal value.

This compares to the retrospective system where duties are paid regardless of the level at which the goods are priced, and later refunded on review.

It would be difficult to determine without extensive research the proportion of imports subject to an anti-dumping finding that are priced at or above the normal value.

Q. For how long does Canada intend to remain a member of the A/D and SCM Tokyo Round Codes after the entry into force of the WTO (period of co-existence)? (Poland)

A. Depending on the solutions that may be found to the transitional issues, our stated intention is to remain in GATT 1947 and in the Tokyo Round Codes for the acceptance period.

Q. Does the sharp increase in the use of anti-dumping not suggest that anti-dumping measures may now be being used as safeguard measures? (Hong Kong) What are these reasons underlying Canada's increased use of anti-dumping measures over the last two years and what explains the trend to much higher rates? (New Zealand)

A. The Special Import Measures Act is administered by the Canadian International Trade Tribunal (CITT), a quasi-judicial body over which the Government of Canada exerts no control. The choice to seek the imposition of anti-dumping or countervailing duties is made by the private sector, when it is believed that dumped or subsidized goods are causing injury. Similarly, rates are not determined by policy, but the facts of each particular case, including such mitigating factors as the degree of dumping. As such, the Government of Canada has no control over the number of anti-dumping cases initiated, nor could it discourage or otherwise control the number of countervailing duty investigations. These are not safeguard measures.

Q. Some A/D measures are over 15 years old, such as that on waterproof footwear from Czechoslovakia, which was put in place when circumstances were completely different from today. What is the Government's view on the prolonged application of A/D measures applied by Canada? (Czech Republic)

A. Canadian legislation contains a sunset provision stating that any anti-dumping measure must be reviewed at least every five years or it will automatically expire. In the case of waterproof footwear, the Canadian International Trade Tribunal conducted a review in 1993 at which all interested parties had the right to make representations.

Q. Why was the longstanding A/D duty on rubber footwear from Poland renewed in October 1993 even though there have been no exports of this product from Poland since 1987? (Poland)

A. The renewal of the anti-dumping duty affirms the opinion of the CITT that dumping and injury would be likely to reoccur should the duty be lifted.

Subsidies

Q. We presume that Canada will maintain the sub-federal subsidies referred to in the Secretariat Report. If this is correct, and given that these subsidies are recognized as impediments to Canada's external competitiveness, what plans does Canada have for their removal? (Australia)

- A. Canada supports the improved disciplines on trade-distorting subsidies, as defined in the new World Trade Organization Agreement on *Subsidies and Countervailing Measures*. Subsidies given by the federal government, as well as by sub-federal or Provincial Governments, that distort trade within the meaning of the Subsidies Agreement, will be subject to the countermeasures provided in the Agreement.

Intellectual Property

- Q. Does Canada intend to make provision for extension of the term of a pharmaceutical patent whose exploitation has been delayed as a result of regulatory review, for example, along the lines of the U.S. extension of term provisions? (Secretariat Report). (Australia)

- A. Canada does not intend to make provisions for extending the term of a pharmaceutical patent for cases such as the one outlined in your question.

Canada is not considering patent term extension to compensate patent owners for lost time due to the delay required in obtaining health regulatory approval.

- Q. The country report does not contain any information of intellectual property rights regarding non-Nafta countries and nationals. With regard to trademarks and geographical indications, we would be grateful to know to what extent these rights are protected? Which authority is responsible for the administration of trade marks, and what is the average processing time for such applications. (Hong Kong)

- A. Canada extends protection of intellectual property rights to non-NAFTA countries and nationals through its membership in WIPO treaties. Statutory protection of trademarks and geographical indications is available to all members of the Paris Union on a national treatment basis in accordance with Article 2 of the Paris Convention. To the extent that the common law doctrine of passing-off protects trademarks and geographical indications, such protection is available to all litigants regardless of nationality or country of residence. The authority responsible for the administration of trade marks in Canada is the Canadian Intellectual Property Office. The average processing time for trademark applications is about 24 months.

Services

- Q. The Secretariat notes that further liberalization in the services area could reduce costs across the economy. Taking this into account, does Canada plan to expand liberalization in its services market? If so, please describe. (U.S.A.)

- A. Canada, as an active participant in the ongoing negotiations dealing with financial services, maritime transport, movement of natural persons, and basic telecommunications, is keenly interested in further services liberalization. Primary objectives remain to obtain full MFN based results in each of these sectors, within the short negotiating timetables. The full extent of liberalization in these sectors will of course be conditional on Canada's assessment of others offers. Canada will also be active in the working group on professional services, placing particular attention upon the legal, engineering, and architectural professions.

Liberalization under the Internal Trade Agreement should also contribute to improving the economic efficiency of the services industry, notably by removing impediments to labour mobility - e.g., mutual recognition of workers' qualifications - and by the reconciliation/harmonization of regulations and standards-related measures affecting services industries, such as road transport.

- Q. The Secretariat Report notes that services account for about 20% of total Canadian exports. It also states that while most services are still exported to the United States, an increasing number of Canadian firms are successfully exploring new export markets. Would Canada advise whether there is any correlation between the growth of services production in the Canadian economy as a whole and the growth of services exports? If this is the case, is growth in exports spread evenly across services or is it confined to a small number of services?

An account of the main destinations for Canadian services, other than the United States, would also be helpful. In this context, we would be interested in some comments about Canada's view on its competitiveness in other markets, bearing in mind efforts to eliminate internal trade barriers. (Australia)

- A. Using balance of payments statistics (which do not take into account some key types of services transactions and which we know underestimate the value of total trade in statistics) Canada's service receipts increased from C\$22.4 billion in 1989 to C\$26.9 billion in 1993. At the same time, the GDP of Canada's services sectors increased from C\$326 billion to C\$341 billion. From these figures, one could conclude that our exports of services have increased more quickly than our production of services. One should keep in mind however, that Canada is a net importer of services and that our services payments over this same time period increased from C\$30.6 billion to C\$40.7 billion.

Between 1989 and 1993, service sectors that saw the greatest increase in exports were travel and business services. The business service category includes insurance, consulting and other professional services, research and development, transportation related services and commissions.

In the business service sector, which is by far our largest service export, the main destinations are in order of precedence: the United States, the United Kingdom, Germany, Japan, and France.

State Trading

- Q. Does Canada have plans to distance the federal and provincial governments from the management of trade in certain sectors now carried out through state trading monopolies? (Argentina)
- A. No changes are envisaged other than those required to meet Canada's specific WTO commitments. For example, in keeping with its WTO commitments, Canada is replacing the Canadian Wheat Board import licence requirements for wheat, barley and their products, with Tariff Rate Quotas (TRQs).

Export Assistance Programs

- Q.** The Secretariat Report (summary observations) states that "the Export Development Corporation's export assistance programs, partly conditioned on local content requirement, have been enhanced". We would like details of this program, in particular the local content requirements. (Australia)
- A.** The Export Development Corporation (EDC) recently adopted a new policy that recognizes that benefits accruing from Canadian exports are many and varied, and are not solely reflected in Canadian content, the underlying determinant of qualification for EDC support under the old policy.

Under the new policy, all benefits to Canada can be considered in determining eligibility of an export transaction for EDC support. The policy recognizes that some benefits can be measured in immediate payoffs, whereas others yield longer term dividends. The policy is designed to encourage more Canadian entrepreneurs to avail themselves of EDC services in pursuing export opportunities.

Examples of other benefits which could be considered, in addition to Canadian content, include:

- Export of world mandated products
- Transfer of new technology/product lines to Canada
- Enhancement of future business prospects as a result of a transaction
- Research and development spurring innovation
- Accelerated development of high skill level jobs in Canada
- Development of a new export product, market, or exporter

Canadian content is retained as one of the benefits, but with a reduced threshold ratio of 50% as opposed to the 60% ratio under the old policy. On this basis, a transaction with an optimized Canadian content of 50% or higher will meet the benefits criteria without further review.

Transactions which do not attain the 50% threshold will still be considered for support under the other benefits to Canada. A single benefit may well qualify a transaction which does not meet the threshold. To further simplify the process, specific products or groups of products known to generate sufficient benefits to Canada will be pre-approved for support. The underlying principle of this new approach is to find solutions to customer needs expeditiously, and to seek ways of serving all exporters.

Other Issues

- Q.** On what basis under the GATT does Canada restrict the export of logs? Are they consistent with Article XX:g? Are these measures taken "in conjunction with restrictions on domestic

production or consumption?" What are the plans to eliminate these export restrictions? Has the federal government taken reasonable measures to ensure observance of the GATT rules by the provincial governments? Are these measures applied in order to export products to the NAFTA partners as well? (Japan)

- A. Canada's log export controls are fully consistent with its GATT obligations.
- Q. We note that the prohibition on imports of used motor vehicles will progressively be lifted in respect of imports from NAFTA countries. What is the rationale behind retaining the measure in respect of non-NAFTA countries? (Hong Kong)
- A. The prohibition on imports of used motor vehicles has been in effect since the turn of the century and is "grandfathered" by GATT's Protocol of Provisional Application. Under the FTA this prohibition was eliminated as of January 1, 1994 with the United States. Under NAFTA, Canada negotiated, on a reciprocal basis with Mexico, the phased elimination of the prohibition on used vehicles by the year 2019.

SECTORAL ISSUES

Agriculture - General

- Q. Does Canada intend to augment reporting on export pricing in compliance with the UR Understanding on the Interpretation of Article XVII? (U.S.A.)
- A. Canada recognizes the transparency objectives set out in the Understanding which are consistent with the requirements of Article XVII to ensure that legitimate commercial interests are not prejudiced.
- Q. When will Canada address its regulations on bulk shipments? (U.S.A.)
- A. Canada's regulations on bulk shipments are provided for under the Fresh Fruit and Vegetable Regulations of the Canada Agricultural Products Act. Produce meeting regulated requirements, including phytosanitary requirements, is entitled to unrestricted import or interprovincial movement. Recognizing the seasonal variations in fresh fruit and vegetable production, the regulations contain provisions to "exempt" import and interprovincial shipments from the regulated quality, packaging and labelling standards in those cases where there is a shortage of domestic supply availability. These regulations apply equally to both interprovincial and international trade. At this time, there are no plans to amend this aspect of the regulations.
- Q. Please provide elaboration on the prohibition on consignment selling cited in para 68, page 125. (Argentina)
- A. The regulatory requirement prohibiting the sales of fresh fruits and vegetables on consignment applies equally to interprovincial shipments of domestic-grown produce within Canada as it does to produce imported into Canada. The Canadian anti-consignment selling legislation is widely viewed as a stabilizing factor for prices and market returns within the North American produce industry and further promotes the orderly marketing of highly perishable produce.

- Q. Will the container size regulations remain constant, and apply equally to domestic and imported commodities following the two-year exemption period for Canadian processors? (U.S.A.)
- A. **The Processed Products Regulations, under the Canada Agricultural Products Acts, provide for the use of container sizes. There are no plans to further change container size requirements. Existing provisions will apply equally to domestic and imported products.**
- Q. What is the potential scope of the safeguard measures described in para 18, page 111 of the Secretariat report? (Argentina)
- A. **The product coverage of the FTA/NAFTA agricultural safeguard measures is as set out in footnote 11 to para 18, page 111.**
- Q. What plans does the Government have to lower tariff peaks on agricultural products? (Australia)
- A. **The "tariff peaks" approach was only used in the industrial market access negotiations; it was not followed in the agriculture negotiations. The approach used in agriculture was tariffication of all border measures, and, for developed countries, reduction of tariffs by an average 36 percent, with minimum reductions of 15 percent for each tariff line, over six years.**
- Q. With reference to Table AV 2 of the Secretariat's report, the ad valorem tariff equivalent in 1995 for broiler hatching eggs, for example, is given as 280.4%. Is this correct? Should the rate in 1995 not be 280.4% less the first step in tariff reductions? (New Zealand)
- A. **The ad valorem rate of 280.4% (with a specific rate of not less than 342.7 cents per dozen) represents the base rate of duty for broiler hatching eggs (i.e., over the access commitment). As of January 1, 1995, the bound rate of duty will be 273.4% (but not less than 334.1 cents/dozen).**
- Q. Under the UR Agreement, Canada replaced import quotas and other QRs with Tariff Rate Quotas (TRQs) based on minimum access commitments. On the other hand, Canada has tariff reduction agreements with the U.S. under the FTA and Mexico under the NAFTA. What are the bilateral liberalization plans concerning these tariffication items? (Japan)
- A. **Under the NAFTA, the U.S. would be exempt from Canada's Uruguay Round TRQs for beef, wheat, and wheat products. Mexico would be exempt from Canada's UR TRQs for beef, margarine, wheat, wheat products, barley, and barley products. The United States and Mexico would be subject to Canada's remaining UR agricultural TRQs.**
- Q. Can Canada provide up-to-date information on the methods to be used to allocate tariff quotas to be implemented as part of the Uruguay Round Agreement? And the bilateral tariff treatment to be accorded imports from the United States? When does Canada intend to implement its tariff quotas? (Australia)
- A. **On November 3, 1994, the government of Canada issued a press release that provides extensive detail on the establishment and administration of its TRQs. This information was made available to all contracting parties through their embassies in Ottawa.**

Most of the TRQ's will come into effect January 1, 1995. Others will come into effect at the beginning of the relevant marketing year.

With respect to the bilateral tariff treatment of imports from the United States, please see above.

Q. Will subsidies to the domestic industry, such as those identified in para 52, page 122 be maintained after the entry into force of the WTO? Also those named in para 61? (Argentina)

A. The National Tripartite Stabilization Program (NTSP) for hogs (cited in para 52, page 122) was terminated on July 4, 1994.

The Net Income Stabilization Account (NISA) (para 61, page 124) remains in effect.

The Farm Products Marketing Agencies Act (FIPA) (para 61, page 124) remains in effect.

The Canada/Quebec Subsidiary Agreement on Agri-Food Development (para 61, page 124) remains in effect.

The Alberta Crow Benefit Offset Program was terminated in March 1994.

Q. Is it not true that the use of export subsidies on agricultural products is prohibited under the GATT but is allowed under the NAFTA? (Argentina)

A. Significant progress was made in the Uruguay Round on agricultural export subsidies. For the first time, export subsidies in agricultural trade are clearly defined, and Contracting Parties are committed to reductions in both the volume of, and expenditures on, products benefitting from export subsidies. However, the Uruguay Round Agreement on Agriculture did not produce a prohibition on agricultural export subsidies comparable to what exists for non-agricultural products. With respect to NAFTA, the use of agricultural export subsidies between Canada and the United States is prohibited. In addition, NAFTA requires Parties to take into account the interests of the other Parties in the use of agricultural export subsidies.

Beef

Q. How can a TRQ of 76,409 tonnes be justified in terms of the expectation that countries would enjoy better (not worse) access following the Uruguay Round? In view of the continuing strong demand for imported beef in Canada is it expected that a supplementary quota will be required later in 1995 (similar to what occurred this year)? In what circumstances would the Canadian authorities consider expanding its Uruguay Round TRQ to a level more consistent with market demand? (Australia)

A. Canada's Uruguay Round access regime for beef and veal is based on the outcome of negotiations during the Uruguay Round. The 76,409 tonne TRQ is based on the level of offshore imports in 1992, (i.e. prior to the surge in 1993 which was found to be threatening Canadian producers with serious injury). The level of the TRQ significantly exceeds the average level of imports during the 1986-88 base period (64,140 tonnes).

It would be premature to speculate on the supply situation in the Canadian market in 1995 and future years.

It should also be noted that the tariff rate quota in 1994 under Canada's Article XIX safeguard for beef was established at 72,021 tonnes. The adjustment of this level to 85,021 tonnes was taken in response to particular market circumstances.

- Q. Do the Canadian authorities appreciate the disruptive effect on suppliers and Canadian processors of a stop-go approach, like that adopted in 1993 and again in 1994, to beef imports? How do the Canadian authorities expect that an even more restrictive import regime in 1995 will improve this situation? (Australia)
- A. In order to minimize the disruptive aspects of a first-come, first-served approach, as experienced under the 1994 safeguard, in-quota access under the Uruguay Round TRQ for beef and veal will be allocated domestically, based on applications prior to the quota period, with priority given to applications from processors.
- Q. How do the Canadian authorities justify not providing a country specific beef quota to Australia, the main supplier to the market, while providing such a quota to the second largest supplier? In what circumstances would the Canadian authorities consider providing a country specific quota to Australia? Would such a quota be based on Australia's traditional share of the Canadian beef market? (Australia)
- A. Canada and Australia were not able to reach a mutually acceptable agreement on terms of access to the Canadian market for Australian beef during the Uruguay Round negotiations and Australia rejected an offer of a 32,000 tonne country allocation for beef at that time. This issue continues to be discussed bilaterally.
- Q. Do the Canadian authorities recognize that by placing unreasonable restrictions on the level of beef access and applying "first come first served" administrative arrangements, the market is likely to experience surges of imports especially at the beginning of the year which will be destabilizing and not in the interests of processors or suppliers? How do they intend to handle this situation? (Australia)
- A. In order to minimize the possibility of import surges, Canada's Uruguay Round TRQ for beef and veal will be allocated based on applications prior to the quota period, with priority given to applications from processors. This method of administering the quota will allow beef to be imported when it is needed, throughout the year.
- Q. Can the Canadian authorities explain how Australia is better off under Canada's Uruguay Round offer on beef than under the present arrangements (notwithstanding Article XIX safeguards) under which only a bound tariff of 4.41 cents/kg applies with no quantitative restrictions? (Australia)
- A. Canada's Uruguay Round regime will provide a stable import regime for beef and veal, in contrast to the uncertainty associated with the existing Meat Import Act. In addition, Canada is offering duty-free access on the in-TRQ amount, which has been set at a historically generous level.
- Q. How can Canada make the safeguard action on boneless beef effective without applying them to all trading partners? Selective non-application of safeguard measures is inconsistent with

GATT Articles I, XI, XIII and XIX and not justified by Article XXIV:8(b). (Japan) (EU had similar question)

- A. The surge of imported boneless beef entering Canada in the early months of 1993 was of Australian and New Zealand origin, as opposed to originating in the United States, our other major supplier. On the basis of its analysis, the Canadian International Trade Tribunal found that there was a threat of serious injury to Canadian slaughterers, boners and cattle producers caused by increased imports of boneless beef originating in countries other than the United States and, as a result, Canada introduced its Article XIX safeguard measure.
- Q. There is both a safeguard action and a countervailing duty restricting access to the Canadian market for European boneless beef. How can Canada justify having two measures affecting the same product? (EU)
- A. The safeguard measure applies to all boneless beef originating in non-NAFTA countries, and includes both grinding beef and cuts. The CVD is applicable only to manufacturing (grinding) beef from the EU. It should be noted that Canada is not precluded from taking two trade remedy actions on the same product.

Grains

- Q. Will Canada be taking actions to improve transparency in export pricing and reduce price discrimination in export markets for wheat and barley? (U.S.A.)
- A. The Canadian Wheat Board (CWB) is mandated to sell wheat and barley for the best possible return in both the domestic and international markets. It operates as a commercial wholesale marketing agency and is not required to disclose confidential information which would prejudice its commercial interests. Under the WTO, the normal operations of the CWB should not be affected.
- Q. In the grains sector, support is provided through stabilization programs and transportation subsidies. There are signs that support in both these areas will be reduced. Will the Canadian authorities detail the nature and extent of these changes and indicate whether they reflect Uruguay Round requirements or a commitment to reducing over the long term the level of support to the grains sector? (Australia)
- A. Canada's support for the grains sector has been declining since 1991. Support payments under the stabilization programs are based on market conditions. As market conditions improve in terms of increased price levels, less support is provided to the sector.

As a budgetary reduction measure, the government's commitment towards transportation subsidies under the Western Grain Transportation Act (WGTA) was reduced by 10 percent for crop year 1993/94. This commitment was further reduced by 15% for crop year 1994/95 to \$560.6 million.

In terms of Canada's Uruguay Round commitments, Canada's total non-green domestic support in the coming years will be well below Canada's GATT commitment to reduce aggregate measure of support (AMS) by 20% by the end of the transition period.

Therefore, there is no need to make any changes to support programs in order to meet Uruguay Round requirements on AMS.

Canada will meet its Uruguay Round export subsidy reduction commitments. Recently introduced WTO implementing legislation contains certain provisions which amend the WGTA to effect compliance with the WTO.

Q. The Secretariat report states that subsidies under the WGTA are included in Canada's Aggregate Measure of Support (AMS), which will be subject to a reduction of 20% from 1986-88 levels. Canada has stated that no further reductions are required since the level of support has already been reduced. Will the WGTA be reduced from today's levels, or not? (Argentina)

A. Under the WTO domestic support reduction commitments, countries must cap the aggregate sector wide AMS level at 80 percent of the base 1986-1988 average level at the end of the transition period. Canada's support has been declining over the years and will likely be lower than the required ceiling. In this respect, it is unlikely that Canada needs to make any further reduction to its AMS level. Even in the event that Canada must reduce its AMS, Canada has the option to reduce whatever programme it so chooses so long as the AMS level is met. While total WGTA payments were among the several programs included in Canada's domestic support notification, there is no obligation under WTO to reduce the WGTA under the domestic support commitment.

In terms of export subsidy reduction commitments, however, Canada's WTO implementing legislation (introduced in October) incorporates Canada's WTO commitment to reduce WGTA export expenditures by 36% and subsidized export volumes by 21% by the end of the implementation period, compared to 1986-88 levels.

Q. We understand that Canada is undertaking a review of Canada's domestic support programs for agriculture, including the GRIP and NISA: What is the status of this review? (Australia)

A. GRIP and NISA are implemented by federal-provincial agreements that require non-mutual termination notice of two fiscal years. Therefore, the basic GRIP and NISA programs are expected to remain in substantially their current configuration for at least the next two years.

While federal and provincial Ministers of Agriculture are reviewing safety net policy and programs, with a view to containing expenditures and meeting international trade obligations, substantive change is not expected until at least late 1995.

Effective the 1995 crop, GRIP will not be available in Saskatchewan. On November 18, 1994, federal agriculture Minister Goodale announced, with his Saskatchewan counterpart, a two year GRIP replacement program for Saskatchewan. Although program details are still being negotiated, the bulk of the funding is anticipated to be directed to the NISA program, a lesser amount to a low slung grains sector program, and development initiatives. Federal funding for safety net programs will be roughly equivalent to 1994/95 levels.

Effective the 1994 tax year, red meats and forages has become an NISA eligible commodity in all provinces except Alberta and British Columbia. These two provinces may enroll red meats in future years.

- Q. We also understand that Canadian grain marketing arrangements are under review: we would be interested to know the membership of the panel, the scope of its investigation and the expected timing of its report? (Australia)
- A. The government is putting together a framework and mechanism within which the issue of grain marketing systems can be thoroughly analyzed. Details regarding this framework are not yet available.
- Q. What are the Canadian Government's plans regarding the Western Grain Transportation Act Freight Subsidy ("Crow Rate")? In 1993 it was proposed that the Crow Rate be reformed from an export subsidy to a domestic support measure by paying the subsidy direct to farmers instead of to the railways: is this option still under consideration by the Government?
- A. The 1993 proposal was introduced by the previous government. The present government is consulting with grain industry participants and provincial governments concerning reform of the Western Grain Transportation Act. The Minister of Agriculture and Agri-Food has indicated that decisions on reform, including the method of payment of the subsidy, will be made early in 1995.
- Q. Is there a relationship between paras 19 and 21, pages 111-112 of the Secretariat's report, i.e. the statements that nearly one-half of the export subsidies of C\$689 million support sales of wheat and that the Canadian Wheat Board is the sole marketing agent for wheat and barley? (Argentina)
- A. There is no relationship between paras 19 and 21. They should be read independently. Export subsidies, as notified under the Uruguay Round agreement, are provided by the Government of Canada under the *Western Grain Transportation Act* to defray part of the freight costs of transporting grains and other eligible commodities to west coast ports and the port of Churchill, Manitoba. The Canadian Wheat Board, as stated in the Secretariat's report, is the sole marketing agency for western Canadian wheat and barley into export markets, and for western wheat for human consumption in Canada.
- Q. Para 21, page 112, states that the CWB "takes account of market conditions and competitive factors" in determining its selling price of wheat. No mention is made of the export subsidies cited in para 19. In the case of the CWB, what does "take(ing) account of market conditions and competitive factors" actually mean? [Argentina]
- A. There was no mention of export subsidies in the description of the CWB because the export subsidy has no direct bearing on the export price of the CWB and does not affect how the CWB prices its grain in offshore markets. Since Western Canadian grain is sold in numerous world markets, prices are determined at export port position in competition with other exports in these various markets. The returns to a Western Canadian grain producer is the average price for all wheat sales during the year less handling, transportation and marketing costs.
- Q. In August 1994, a U.S./Canada Joint Commission on Grains was established under a bilateral agreement. We understand the Joint Commission will look at marketing and support arrangements in both countries and is expected to report by May 1995. What are the terms of reference for the Joint Commission on Grains? (Australia)

A. On August 2, 1994, Canada and the United States reached a one year Memorandum of Understanding (MOU) regarding trade in grains. Following the finalization of the details, the MOU took effect on September 12, 1994. The MOU establishes a Joint Commission on Grains which will examine all aspects of the two countries' respective marketing and support systems for all grains and the effect of those systems on the Canadian and U.S. markets and on competition between the two countries in third country markets. The objective of the Commission will be to assist the two Governments in reaching long-term solutions to existing problems in the grain sector. The Commission is to provide its preliminary findings and non-binding recommendations to both governments by June 12, 1995, and to conclude its work by September 11, 1995.

Q. Please provide clarification on the administration of the TRQ on wheat products (pasta). (EU)

A. The wheat products TRQ will be opened on August 1, 1995, and will run on a crop year basis (August to July). The coverage, access level and coefficients of conversion for the various products covered (including pasta) are set out in Canada's Schedule V – Final Schedule of Agricultural Commitments.

The quota will be operated on a first-come, first-served basis. Any resident of Canada (including customs brokers acting for non-Canadians) will be entitled to import any quantity as long as the overall access level has not been reached, in the opinion of the Minister of Foreign Affairs. The Minister will base his opinion on the amounts of goods accounted for at Customs, after applying appropriate conversion factors.

Wheat products will be placed on the Import Control List established under the Export and Import Permits Act, and will thereby require permits for entry into Canada. This will be managed through two General Import Permits (permits that are generally available and may be invoked upon importation, without prior application or fee): one will allow imports at the 'within access commitment' rate of duty, until the overall access level is reached, and the other will allow unlimited imports at any time at the 'over access commitment' rate of duty.

By the supplementary note to chapter 19 of Canada's schedule of concessions, certain wheat products imported in certain packaging (retail packaging) by retailers for retail sale will continue to receive the 'within access commitment' rate of duty regardless of whether or not the overall access level has been reached. Pasta products of all kinds are covered by this note.

Dairy

Q. What are the longer term intentions of the Canadian authorities towards the protection of the dairy industry? Is there any intention to open up the industry to normal market forces and to reduce the extent of supply management? (Australia)

A. There is no intention to make fundamental changes to supply management for the dairy industry as a result of the Uruguay Round outcome; however, some operational changes to dairy supply management to ensure compliance with Canada's obligations and to improve the functioning of the system are under discussion with the industry for possible introduction in 1995.

- Q.** Does Canada believe that a measure that was found to be GATT inconsistent can be legitimized through tariffication, ie. ice cream and yogurt? (U.S.A.)
- A.** The Agreement on Agriculture provides for the tariffication of all measures as described under Article 4.2.
- Q.** Will the EU's share of the Canadian quota for imported cheese increase following the enlargement of the EU? (Finland)
- A.** This issue has been the subject of consultations with the European Union. No final decision has been taken.

Other

- Q.** Canadian SPS standards are so excessively strict that they represent a virtual prohibition of imports of meat that is not heat-treated or vacuum packed. How is it possible that Hungarian salami can gain entry into the USA market but is barred entry into the Canadian market? (Hungary) (EU had similar question on Parma ham)
- A.** Canada recognizes that from a general point of view, Canadian import conditions for animal products are stricter than those required by the U.S. Department of Agriculture. Canada appreciates that commonly shared import policies with the U.S. would be of great benefit to both parties in terms of promoting international trade. In fact, work towards the concept of such harmonization has already begun. However, Canada's current import policies are and must be based on its own risk assessments. Canada has conservatively adopted strict import policies related to animal health in order to protect its significant export interests for relevant agricultural commodities.

At this juncture, Canada does not officially recognize Hungary as being free of certain porcine diseases, and therefore, Canada is not in a position to accept imports of uncooked meat products such as Hungarian salami.

In the case of Parma ham, Canadian veterinary authorities continue to assess the scientific information available with a view towards negotiating an acceptable protocol and conditions which would allow for the import of this product.

Textiles

A number of delegations asked questions regarding policies affecting the textile sector. The following response is provided to answer these questions.

Tariffs: GATT Secretariat study

<u>COUNTRY</u>	<u>TARIFFS/ TRADE WEIGHTED</u>		<u>REDUCTION</u>	<u>LINES BOUND</u>
	<u>PRE MTN</u>	<u>MTN OFFER</u>		
	%	%	%	%
CANADA	21.3	14.5	32	100
USA	16.7	14.6	13	99 > 100
EU	11	9.1	17	100
JAPAN	11.3	7.6	33	99 > 100
AUSTRALIA	37.8	22.9	39	4 > 88
AUSTRIA	24	14.6	39	77 > 100
FINLAND	12.4	9.1	27	90 > 100
NORWAY	18.1	10.6	41	92 > 100
SWEDEN	12.2	9.7	20	76 > 100
N ZEALAND	27.2	16.6	39	56 > 100
SWITZ	8.0	5.2	35	100
BRAZIL	77.4	32.3	NA	5 > 100
INDIA	127.9	61.1	52	0 > 61
KOREA	26.2	16.3	39	11 > 98

According to the most recent information, Canada's trade-weighted tariff for textiles and clothing products will fall from the present rate of 21.3% to 14.5% at the end of the MTN implementation period bringing it slightly below the trade-weighted level of the U.S. tariff. The Canadian MTN offer represents a reduction of 32%, which is higher than that of the EU and of the USA, and almost equal to the 33% cut made by Japan. Fully 100% of Canada's tariff lines in this sector are already bound. We welcome the commitment made by major exporters in the MTN to bind and reduce significant portions of their textile tariffs. While Canada would have been prepared to consider additional cuts in its textile tariffs, in the end this was not possible due to other developments in the negotiations.

Textile Restraints

While employment statistics indicate a resurgence in the Canadian apparel industry, this positive development must be viewed against the background of the situation that prevailed in the earlier part of the decade. The employment level is still below the 1991 level as shown in the Secretariat report. It should be noted also that this level was, at that time, declining from earlier years (in this respect, employment in the textile industry has fallen from 69,800 in 1980 to 44,790 in 1993, a drop of 36%. In clothing, the drop has been from 113,900 to 85,000 over the period, a 25% decline). The last few years have witnessed a significant reduction in the number of plants and an increase in short time and part time employment as firms struggled to meet ever-increasing import competition.

As a result of this increase in low-cost imports and of the market disruption caused by these imports, the Canadian government has concluded bilateral restraint agreements with exporting countries. These restraints have been reviewed by the Textiles Surveillance Body and found to be in conformity with Canada's obligations under the Multifibre Arrangement. It should be noted

that a number of restraints have been concluded or imposed on imports of countries that are participants neither to the GATT nor to the MFA.

Canada is committed to the re-integration of this sector into the GATT and participated fully in the negotiation of the MTN agreement on textiles and clothing. In this context, Canada notified on October 1, 1994, the list of products that it would integrate on January 1, 1995. Canada is the only Quad member to have integrated a category of products under restraints, even though there is no requirement to do so. This action will directly benefit a number of restrained suppliers, such as Hong Kong, Korea, Sri Lanka, Macau, Pakistan and Thailand (and China and Chinese Taipei).

NAFTA: Textiles

Trade statistics do indicate an increase in bilateral textiles trade with the USA. This increase is in keeping with the overall increase in bilateral trade under first the FTA and then the NAFTA. In the context of Canada's overall textile and clothing trade, it should be noted that imports from the USA are in high-value products whereas those from developing countries are concentrated in low-cost products.

While the NAFTA rules of origin for textiles and clothing are more restrictive than those of the FTA, their impact, however, has been exaggerated. For example, while the yarn-forward rule would appear to limit opportunities for offshore fabrics to be used in the manufacture of garments for export to the USA, the fact is that this rule does not represent any change from the FTA rules of origin. In both cases, garments made from offshore fabrics do not meet the rules of origin and cannot qualify for duty-free treatment. They can enter however under the MFN tariff.

Both the FTA and NAFTA provide for tariff rate quotas under which specified quantities of non-qualifying products can obtain duty-free treatment. Under NAFTA, these TRQ's have been significantly expanded, thereby resulting in additional opportunities for offshore fabric suppliers. It should be noted also that the TRQ levels far exceed existing export levels to the USA thus providing room for future growth.

With respect to the question by the Swiss delegation on rules of origin for embroidery fabrics, there is in general no change to the rule of origin for embroidery fabrics of Chapter 58 from the FTA rules of origin. In fact, for most yarns and fabrics there is very little change between the FTA and the NAFTA rules of origin; this is also the case with most made up articles, such as tablecloths which may incorporate some embroidery.

Alcoholic Beverages

- Q. We have welcomed the changes to import regulations on alcoholic beverages which have taken place over the past two years. However, there remain substantial non-tariff barriers in the form of provincial requirements, which differ from province to province, such as listing, distribution and retail restrictions (Secretariat Report), which are contrary to free and fair international and domestic trade. What action is the Federal Government of Canada taking to pressure the provinces to liberalize in this area? What changes are likely to take place in the foreseeable future? (Australia)

- A.** In recent years, there has been considerable liberalization of provincial liquor board practices with the implementation of the recommendations of the 1987 and 1992 GATT Panel Reports on the import, distribution and sale of alcoholic beverages by Canadian marketing agencies. Significant changes in domestic beer marketing practices have resulted from the Canada-United States Memorandum of Understanding on beer which have also been applied on an MFN basis.

In July 1994, provincial governments signed an Internal Trade Agreement (ITA) which will decrease barriers to internal trade upon implementation in July 1995. Under national treatment, any changes will be extended to Canada's trading partners.

Given the changes cited above, the Canadian government considers Canadian alcoholic beverages marketing practices to be GATT consistent.

Electric and Electronic Equipment

- Q.** Would Canada provide details of the Canadian Government's strategy to promote telecommunications, computer services and software, and computer-assisted manufacturing systems? How do the partnerships between governments and the private sector work? (Australia).

- A.** The Canadian Government is currently involved in a variety of sector and program strategies to promote the various sectors noted above. These strategies include:

Telecommunications Products Sector Campaign: Industry Consortia- a variety of initiatives to encourage industry to undertake collaborative projects and to form partnerships; **Standards-** participation and adoption of technical standards; **Management of Software Development-** to stimulate firms to improve their international competitiveness through the adoption of software development tools and **Industry Representation-** to provide a forum for input to government policy development.

Software Sector Campaign: This campaign provides limited funding to assist small and medium sized firms (SMEs) to develop marketing and management plans. The campaign also provides funding to assist industry associations to deliver services to companies, particularly smaller players within the sector as well as provide workshops and seminars in topics such as Software Technology Development and software quality.

Supplier Development Sector Campaign: This campaign is designed to enhance the ability of SMEs to compete as niche suppliers to the growing needs of computer and telecommunications companies. The campaign also assists with the organization of networking events designed to link buyers with Canadian suppliers.

Advanced Manufacturing Technology (AMT) Campaign: The objective of this campaign is to improve the international competitiveness of AMT suppliers in Canada (including robotics, advanced machine tools, computer integrated manufacturing systems and the like) through new approaches to the management of human resources, the development of innovative products, processes and services and the promotion of alliances between suppliers and users of technologies.

Q. Why are the Canadian MFN rates for power generation equipment high? (Nordics)

A. Canadian MFN tariff rates are set in accordance with considerations including economic, trade and industrial policies affecting the competitive position of the Canadian agricultural and industrial sectors, both domestically and internationally. As noted in the Canadian trade policy statement presented to the TPRM, "Tariffs are viewed by the government as one instrument for facilitating the operations of Canadian importers and manufacturers and for creating particular opportunities for economic growth and industrial development."

With regard to power generation equipment, in the course of the recent Uruguay Round, Canada's tariff offer included significant tariff cuts of at least 35 per cent for various tariff items included in this sector. These tariff cuts will be phased in over a period of 5 years beginning January 1, 1995.

Cultural Industries

Q. How have measures to protect Canadian cultural industries been reinforced? (U.S.A.)

A. Canada has a longstanding policy designed to channel Canadian advertising to Canadian magazines. Advertising is the lifeline of most Canadian magazines; it accounts for 64% of all revenues for the industry as a whole.

Two policy instruments have been in place since 1965: Customs Tariff Code 9958 and Section 19 of the Income Tax Act. Tariff 9958 prohibits the importation of foreign split-runs; that is, of foreign magazines whose content is substantially the same as the original edition except for the advertising, which has been purchased especially to reach a Canadian audience. Section 19 of the Income Tax Act limits tax deductions for advertising directed at Canadians to expenditures in Canadian magazines.

The Investment Canada Act requires that investments in the Canadian cultural sector by foreign interests may be subject to review.

Investments in the book trade must comply with the Foreign Investment Policy Guidelines for the Book Publishing and Book Distribution Sector. The guidelines stipulate that foreign investment in new enterprises must be limited to Canadian-controlled joint ventures.

Q. What is the current status of possible implementation of the Magazine Task Force's recommendations by the Government of Canada? (U.S.A.)

A. The Government is currently studying the recommendations of the Task Force on the Canadian Magazine Industry and will make an announcement as soon as possible.

Q. Is the Government of Canada of the opinion that only Canadian owned broadcast services promote Canadian culture? If so please explain. (U.S.A.)

A. We recognize that it is essential that Canadians have access to a wide range of high-quality cultural products from around the world. But, without strong support for Canadian cultural products within Canada through specific requirements of Canadian owned companies, we would not have a vibrant arts and cultural sector.

- Q. Will Canadian policy objectives related to the protection of Canadian culture continue to come at the expense of investment opportunities for fellow contracting parties in Canada's emerging communication services market? (U.S.A)**
- A. We are delighted, of course, when foreign companies invest in Canadian cultural enterprises within the allowable limits. But it is critical to our nationhood that Canada retain control of its important cultural vehicles.**