

As a result of the agreement, Canadians will enjoy greater access to a wide variety of California wines at competitive prices. The highly competitive Canadian distilling industry has had its access to the U.S. market secured and guaranteed on an equal footing with the U.S. industry. They had been facing protectionist actions in the U.S. and now they are assured fair treatment.

The wine industry also has secured access to the U.S. market. However, given its relative competitiveness, a seven-year adjustment period has been provided. This industry and the grape growers which supply it have developed in Canada largely as a result of a web of provincial policies. However, both the federal and provincial governments have a record of commitment to the grape growers and the wineries and they will consider assistance to help them adjust. Minister of Agriculture John Wise met with the industry and provinces on December 3, 1987 to discuss the impact of the agreement on the industry's competitiveness and to develop appropriate solutions.

The recent GATT Council ruling on provincial liquor board practices could have significant impact on the Canadian wine industry. The seven year phase out of differential mark-ups for U.S. wines under the FTA will pose some difficulties for the industry. However, European wine imports to Canada are 24 times larger than U.S. imports, and adjustments to mark-ups would have a very significant impact on the Canadian wine industry. The Minister for International Trade has undertaken to work with the provinces to find ways to respond to the Council recommendations, while addressing the adjustment concerns of the industry.

Adjustment

The trade agreement provides several features which will assist Canadian industry to adjust and withstand competitive pressures. The agreement is phased in over a ten-year period with the more vulnerable sectors having longer adjustment periods. Bilateral emergency safeguard action will be allowed during the transition period if imports from the U.S. are the cause of serious injury. Fresh fruits and vegetables will have a unique twenty years of transitional safeguard protection. These emergency actions will allow tariffs to be restored to the MFN tariff level or a temporary suspension of the FTA duty reductions.

Particularly sensitive industries or policies have been largely excluded from the FTA or provided with special treatment. These include agricultural supply managed products, beer, all cultural industries and the maintenance of the Auto pact.