

EXECUTIVE OFFICE OF THE PRESIDENT
 THE UNITED STATES TRADE REPRESENTATIVE
 WASHINGTON, D.C. 20508

JUN 3 1999

His Excellency Raymond Chrétien
 Ambassador of Canada
 501 Pennsylvania Ave. NW
 Washington DC 20001

Dear Mr. Ambassador:

I have the honor to confirm receipt of your letter dated June 3, 1999, outlining a proposal concerning Bill C-55 which reads as follows:

"I have the honour to refer to recent discussions with respect to Bill C-55, the *Foreign Publishers Advertising Services Act*. In this regard, the United States will take no action under the World Trade Organisation (WTO) Agreements, the North American Free Trade Agreement (NAFTA), or section 301 of the Trade Act of 1974, as amended, in response to Bill C-55.

Canada will amend the *Foreign Publishers Advertising Services Act* to permit foreign-owned publishers of periodicals to benefit from increased market access with respect to advertising directed primarily at the Canadian market. In addition, Canada will amend its foreign investment policy with respect to the publication, distribution and sale of periodicals by issuing foreign investment guidelines for the publication, distribution and sale of periodicals pursuant to section 38 of the *Investment Canada Act*. The *Income Tax Act* will also be amended so as to allow advertisers deductions in respect of periodicals irrespective of the nationality of the publisher or place of production. In addition, the allowable deduction will be amended under the *Income Tax Act*. These initiatives will provide for greater competition in the periodical publishing sector and are expected to ensure the creation of increased opportunity for Canadian cultural expression.

For the purposes of this Agreement, a periodical means a printed publication that appears in consecutively numbered or dated issues, published under a common title, usually at regular intervals, not more than once every week, excluding special issues, and at least twice every year. A periodical does not include a catalogue, a directory, a newsletter or a newspaper. A Canadian means a Canadian citizen or a permanent resident of Canada. Original editorial content means non-advertising content that is: (a) authored by a Canadian, including but not limited to writers, journalists, illustrators and photographers; or (b) created for the Canadian market and does not appear in any other edition of one or more periodicals published outside Canada.