Canada represented a royalty and that the producer was obligated to pay the cost of road building and replanting.

The discussion ended with agreement that the two sides should remain in touch on this crucially important subject.

Tax on Tourist Literature

This topic was only very briefly noted. A U.S. participant mentioned that Canada's tax had aroused concern in the United States, but this had been allayed by the undertaking to find a solution given by Prime Minister Mulroney during his March meeting with President Reagan.

Canadian Patent Law relating to Pharmaceuticals

The U.S. side led off this discussion with the assertion that Canada was one of the few countries in the world not to grant patent protection to the discoverers of new pharmaceutical products. Instead Canada had chosen to require compulsory licensing.

A Canadian participant responded by noting that three different reports undertaken over a number of years had come to the same conclusion that Canadian consumers needed some protection. The price reduction achieved through the licensing system introduced in 1969 had been dramatic, as was illustrated by the relative price of Valium: $16 a thousand in the United States, $9 a thousand in Canada under the brand name and $1 a thousand as an identical generic drug. Not only had individual consumers benefited from lower prices, but provincial governments which provided drugs free for patients receiving health care had saved considerable sums of money. Canada was looking for a way to give inventing companies a better deal while still protecting consumers. However, negotiations between the two competing groups of companies had not yet achieved a resolution of their differences.

A second U.S. participant asserted that the purpose of patents was to protect inventiveness. This prompted another Canadian to observe that most industrialized countries used one means or another to hold down the price of drugs to consumers. He also reported that the Commissioner of Patents in Canada regularly asked for information from companies on their costs of producing drugs on which licences were being sought in order to determine an appropriate royalty rate, but such information had never been provided by the companies.

U.S. Sugar Quota

A U.S. spokesman representing a producer perspective led off discussion by pointing out that the United States seeks to produce domestically 50 per cent of the sugar it consumes, and maintains a domestic price of 18 cents a pound. This contrasts with a world price of 3 cents a pound. While the import of raw sugar has been resticted, the combination of low world sugar prices and the high dollar has permitted Canadian food processors rapidly to expand their sales of sugar- containing products into the U.S. market. This was the background to President Reagan's emergency quota which was imposed in January 1985.

The Canadian side expressed concern over the comprehensiveness and severity of the U.S. action. The quota for most products was exhausted within weeks. Canada held domestic sugar production to 10 per cent of demand, in order to provide a market for third world producers, a policy which also benefited consumers. Canada placed hope in the President's undertaking to review the scope of the regulations.

Several participants on the U.S. side who were well informed on trade matters expressed shock at the scope of the emergency order, regarding which they had had no previous information, and asked for copies of the list of products covered. While the quota did not represent a cost to the U.S. Treasury, it did represent a tax on consumers. They presumed that U.S. producers were worried about the renewal of the sugar support arrangement in July of 1985 and expressed the view that the U.S. sugar producer group had gone too far in pressing for this all-embracing quota.

Trade in Beef

The Canadian spokesman reported that Canada protected itself from large quantities of subsidized beef from the European Community with an import quota. This quota had been pro-rated and in the process U.S. sales to Canada had been restricted. Canada recognized that the United States was not at fault and had found a way to exclude U.S. exports to Canada by eliminating high quality beef from the quota. This had resolved the difficulty. However, Canada would welcome advice from the United States on how to handle the flood of European beef being offered in Canada.

Border Broadcasting

The topic of border broadcasting was briefly reviewed in now traditional terms with Canadians reminding Americans of Canada's need with a small exposed market to act so as to protect Canadian culture. American speakers reiterated the concern felt in Congress over the infringement of patent rights by foreign distributors. They noted that the United States had "almost gone to war" with Jamaica over the taping of movies and a comparable dispute had arisen with Brazil. They were interested to know whether the new Canadian government intended to make any policy changes in this field.

Canadian participants indicated that the mirror legislation adopted by the United States had had little impact in Canada, since there was not much broadcasting directed at U.S. audiences. They did not anticipate a change in Canadian law. However, they felt that the rapid development of broadcasting technology constituted a major potential problem between the two countries. If home users could pick up signals directly and inexpensively, it would become difficult for producers to protect their copyright.

Freight Rates

Discussion on this topic was very brief. Canadian speakers reported that the new freight rate system put into effect last year replaced a more generous system which had prevailed for over 100 years. In the long term inflation would reduce the real value of the support offered. In the interval, some brokers