

Negotiations to improve and expand the scope of the GATT Agreement on Government Procurement continued during the period under review. The aim of the negotiations is to improve the procedures of the Agreement, to expand its coverage and to examine the possibility of including government purchases of services under its terms. The Agreement, to which the major industrialized countries adhere, opens up a portion of the procurement of goods by its members to international competition.

During 1985-86, Canada was involved in the GATT-related activities described below.

### **Liquor boards**

After consultations with Canada under the GATT dispute settlement provisions concerning alleged discriminatory pricing practices by provincial liquor boards, the European Community requested the establishment of a panel to examine the issue on March 12, 1985. Its terms of reference have been agreed to and efforts are continuing to reach agreement on panelists. In addition, bilateral consultations with a view to reaching a mutually satisfactory solution are continuing.

### **Harmonized system of tariffs**

Preparations continued for the implementation of the Harmonized Commodity Description and Coding System (HS). Canada took an active part in this task of the GATT Committee on Tariff Concessions. Particular emphasis was placed on: examining the tariff conversions of major trading partners; working towards a consensus on modalities to be used under the upcoming GATT Article XXVIII negotiations; and preparing for a data base on tariffs to serve the HS negotiations (and possibly the upcoming Multilateral Trade Negotiations). It is now expected that Canada and our major trading partners will implement the HS on Jan. 1, 1988.

### **Gold coins**

The Government of South Africa, after consultations with Canada, requested on October 26, 1984, the establishment of a panel to examine the Ontario Government practice of applying a tax on the sale of imported gold coins. The panel met during April-June 1985 and found that the Ontario sales tax measure did not accord with the GATT national treatment provision. Ontario subsequently modified the measure in an appropriate fashion.

### **Accession of Mexico and China to GATT**

Work continued during the year to prepare the Canadian position for negotiations over tariff and other concessions which will be required of Mexico and China in the course of their accession to GATT. Negotiations with Mexico are already under way and negotiations with China are expected to begin in the autumn of 1986.

### **Enlargement of the European Communities**

Subsequent to the entry of Spain and Portugal into the European Communities, Canada and other trading partners will be engaged in negotiations on compensation for impairment of market access into the EEC following the integration of the Spanish and Portuguese trading regimes into that of the Community. Negotiations are expected to begin in the summer of 1986.

## **Organization for Economic Co-operation and Development**

Canadian participation in the OECD was active during the year. At their meeting in May, OECD ministers vigorously endorsed the need to launch a comprehensive new round of trade negotiations.

The Trade Committee addressed several diverse issues: the accession of the People's Republic of China (PRC) to the GATT; the role of developing countries in the new round; measures aimed at strengthened transparency and discipline in the field of tied aid credits and associated financing of exports; and the emerging areas of trade in services and trade in high technology. In addition, the Trade Committee undertook a major initiative known as the Standstill and Rollback (of protectionist measures) in order to illustrate member governments' commitment to fighting protectionism. Canadian action, which included eliminating or phasing out of quotas on footwear, was cited as an action in conformity with this objective.

The Industry Committee examined several different issues including industrial adjustment, high technology and the ship-building sector.

International steel trade problems, exacerbated by growing global over-capacity in the steel sector, were addressed in the OECD Steel Committee. Detailed examinations were carried out on the industrial and trade policies of OECD member countries, as part of the Committee's efforts to ensure that members do not take measures which shift the burden of adjustment onto the steel sectors of other countries. The Committee again examined the use of official export credits in the financing of steel plant and equipment; comparative structural adjustment problems, including manpower issues; and global steel production, usage and trade patterns.

The OECD has a regular program of work in agriculture which may be divided into three components: (a) regular reviews of market developments in the main temperate products — grains, meat, dairy products and horticulture; (b) awareness of developments in member countries' agricultural policies; and (c) monitoring of agricultural trade and related trade policies. These three aspects are brought together once a year in an overview by the Agriculture Committee and are eventually published. The OECD also prepared special reports on such subjects as agricultural trade with the developing countries, energy in the agri-food sector, methods of farm income support and agricultural policies for the 1980s. It is currently working on a major study of agricultural and trade policies, including that of a balanced reduction in protection.

### **International trade ministers' meetings**

The Honourable James Kelleher, Minister for International Trade, participated in one informal meeting of trade ministers from a broad range of developed and developing countries. The meeting, held in Stockholm in June 1985, was designed to allow ministers to discuss informally the status of the multilateral trading system and to exchange ideas on how participants could work together to strengthen trade relationships among members of the international trading community. The underlying theme of this meeting was that of developing an international consensus in favour of prompt initiation of the next round of multilateral trade negotiations in September 1986.

Canada took part in two Quadrilateral Trade Ministers' Meetings, one hosted by Mr. Kelleher at Sault Ste. Marie,