entry procedures and agreeing on procedures for the reciprocal exchange of test data in the telecommunication sector.

When Canada was negotiating the CCFTA in 1996, it was anticipated that the Chilean government might later make unilateral cuts to its MFN tariffs. Canada therefore sought and achieved guaranteed minimum margins of preference for certain goods that would be subject to a phased-out CCFTA duty rate. In October 1998, the Chilean government followed through on its plan by announcing that it will reduce its uniform MFN tariffs from 11 percent by 1 percent point per year beginning on January 1, 1999 until they reach 6 percent in January 2003. As this is a more gradual plan than had been earlier proposed, with two exceptions (bread mixes and cereal preparations) the guaranteed minimum margins of preference will not be encroached upon. In the case of bread mixes and cereal preparations, Canada will seek to ensure that Chile honours its obligations by adjusting downwards the special rate for Canada.

There have also been recent changes to Chile's capital control regulation which may facilitate trade and investment for Canadian companies.

In September 1998, the Chilean Central Bank announced changes to Chile's capital control regulations which should facilitate trade and investment for Canadian companies. The encaje, a mechanism requiring foreign investors to keep up to 40 percent of their investment on deposit at the Central Bank, has been temporarily eliminated. At least for the time being, Canadian companies will find their investment in Chile to be less costly.

Canada's Market Access Priorities for 1999

- encourage Chile to complete the domestic process necessary to bring the Convention on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (DTA) into effect; and
- Canada is consulting with stakeholders to assess our interests in preparation for bilateral financial services negotiations. The CCFTA provides for such negotiations to begin in 1999.

Other Issue

Taxes on Alcoholic Beverages

The European Union, United States, Canada and Peru contend that Chile maintains a tax regime which discriminates against imported alcoholic beverages. Canada is therefore participating in WTO dispute settlement proceedings to resolve the matter. The WTO panel's ruling is expected at the end of April 1999.