

- work with private-sector organizations in Canada and the EU that represent SMEs to explore the possibilities of enhancing contacts among such firms;
- pursue discussions with the European Commission concerning the establishment of a bilateral legal instrument that would permit the joint funding of co-production projects in the audio-visual field;
- seek the broadest possible participation by Canada in the development phase of Galileo, Europe's global navigation satellite system; and
- continue cooperation with the EU in the field of e-commerce.

A number of barriers to trade exist in the EU that are of concern to Canada, particularly in the agriculture and natural resource sectors. In the wake of past food-safety scandals in the EU, Commission and Member State positions on consumer health and safety issues have grown more cautious, and factors other than scientific considerations appear to be growing in influence.

New multilateral trade negotiations will offer the best opportunity to improve Canada's market access on a wide range of industrial and agricultural goods. Bilateral liberalization efforts under ECTI will also make a contribution.

IMPROVING ACCESS FOR TRADE IN GOODS

Common Agricultural Policy and Subsidies on Agricultural Products

In March 1999, the EU heads of state approved Agenda 2000 EU Common Agriculture Policy (CAP) reform. The approved policy was disappointing in that it resulted in only modest reductions to agriculture price supports and allowed direct production-linked subsidies to remain. As a result, the CAP will continue to restrict access to the EU market for most Canadian agricultural products and distort third country markets. Canada will pursue the reduction of market-distorting domestic support and the elimination of all export subsidies through multilateral negotiations on agriculture, which have commenced this year.

A particular example of this problem is the effect on prices received by Canadian oat producers. The EU's subsidization of large volumes of oats has disrupted the North American market in the form of huge low-price sales of EU oats to the United States. Canada has encouraged the EU to restrain the use of export subsidies on oats and to eventually eliminate them. Until an "across the board" solution can be achieved via WTO negotiations, Canada is pursuing this issue with both the United States and the EU to limit exports of subsidized oats into North American markets.

Cereals Import Regime

Canada maintains that the EU's grain-import regime is inconsistent with the its WTO commitments, which set out that no duty is to be applied when the import price exceeds the EU intervention price plus 55 percent. Rather than determining the duties payable on cereals on a "transaction value" basis, the EU devised a system of reference prices based on U.S. commodity market quotations. These U.S. quotations do not account for the premium price that Canada traditionally receives in the EU market.

Wine and Spirits

Assured access for Canadian wines to the EU is dependant on the conclusion of a bilateral agreement. The EU requires that exports of wine from countries supplying more than 1,000 hectolitres per year be subject to certification of conformity with EU oenological (wine-making) practices. It also seeks an end to the use by foreign wineries of European-origin wine names. At present, there is no access for Canadian ice wine to the European market on the grounds that it does not meet European oenological requirements. Canadian wine exports to the EU amounted to just over \$1 million in 1998, while wine imports from the EU that year totalled over \$450 million.

Canada and the EU have been engaged in renewed efforts to reach agreements on wine and spirits over the past year. The key Canadian objective in the wine negotiations is to secure access for exports of quality Canadian wines, including ice wine, to the European market. Canada supports a limited agenda for these discussions, including wine access, oenological practices and the protection of geographical indications. Objectives on the spirits side include the recognition and protection by the EU of the term "Canadian whisky".