

**SECOND WRITTEN SUBMISSION OF CANADA
SUBMITTED TO THE PANEL
ESTABLISHED BY THE DISPUTE SETTLEMENT BODY (DSB)
OF THE WORLD TRADE ORGANIZATION (WTO)
TO EXAMINE THREE CANADIAN MEASURES CONCERNING PERIODICALS**

I. INTRODUCTION

1. The United States is challenging, pursuant to the General Agreement on Tariffs and Trade 1994 ("GATT 1994"), Part V.I of the *Excise Tax Act* (the "Act"); Code 9958 of Schedule VII to the *Customs Tariff*; and the commercial and subsidized postal rates for the delivery of periodicals. The first submissions of the United States and Canada were submitted on September 5, 1996 and September 26, 1996 respectively. Both parties presented their oral arguments at the first substantive meeting of the Panel on October 11, 1996. At that meeting, the United States and the Panel posed sixteen (one and fifteen respectively) questions to Canada.¹ Canada gave preliminary answers to some of these questions while reserving its rights to address them more fully in its written rebuttal.

2. Canada's second written submission will provide the Panel with further explanations on some points that need clarification, as well as responses to issues that were raised by the United States in its oral presentation. Responses to specific questions of the United States and the Panel are provided throughout the body of Canada's written rebuttal as the subject matter of each question arises.

II. ARGUMENTS

1. Article III of the GATT 1994 does not apply to Part V.I of the *Excise Tax Act* because advertising services is a General Agreement on Trade in Services ("GATS") matter

3. Part V.1 of the Act is a measure pertaining to advertising services not covered by Article III of the GATT 1994.² The selling by publishers of advertising space in their magazines has long been recognized as a service activity.³ Canada has clearly established in

¹ The list of questions referred to Canada is provided in Exhibit A.

² Canada's First Submission, paras. 57-66.

³ "As magazines came to depend on advertising for economic support, the role of the typical publisher underwent a major change. No longer was he interested in the reader as just a reader; he became interested in the reader as a consumer of the advertiser's goods and services. No longer was he a