attempts are being made to recapture lost export markets through export subsidies.

A trade agreement that includes this sector could require resolution of Canadian concerns over U.S. export subsidies and probably would increase both Canadian exports to, and imports from, the United States. Overall, this would result in a loss of Canadian tobacco quota values, it likely would result in small net changes in trade flows, and it would forestall the possible formation of a national supply-management agency in Canada.

The Canadian grape and wine industry provides a more-contentious topic for trade negotiations because of the high levels of protection presently provided, particularly by provincial policies. Sources of this protection include discriminatory procurement and margin policies of provincial liquor monopolies, capital grants to wineries, periodic stabilization program support for grape prices, and occasional support to grape growers for planting different varieties of grapes.

Provincial liquor monopoly practices have the most important implications for trade with the United States. For example, the markup for local wines in Ontario and British Columbia is between 45 and 50 percent, while the markup on California wines is 110 percent in Ontario and 100 percent in British Columbia. In addition, minimum-pricing provisions apply to wine sales in these provinces. In Quebec, California wines must compete against French bulk wines receiving the lowest markup, and are discriminated against both by region and because of their reluctance to sell in bulk. Discrimination against foreign beers is even greater, with a markup sometimes four times that accorded domestic (provincial) beers.[19]

These trade issues fall into the larger category of government procurement practices and are likely to be an important negotiating topic. The irony of this particular matter is that gaining access to U.S. government