

issues have agreed on work plans to increase information exchange and the harmonization of their regulatory systems.

Agricultural Subsidies

Canada is increasingly concerned about the very high levels of domestic support to agriculture in the United States, especially to grains and oilseeds production, which contributes to the worldwide supply and demand imbalance that keeps prices down. That is why Canada is pursuing in the WTO negotiations significant improvements in international disciplines on trade- and production-distorting domestic support. In addition, Canada supports the view that agricultural export credits must be brought under effective international discipline, with a view to ending government subsidization of such credits. Finally, Canada remains concerned about the possibility of increased use by the United States of export subsidies in third-country markets for certain commodities. Elimination of such subsidies is a priority for Canada in the WTO Agriculture negotiations.

Michigan Single Business Tax

On June 22, 2000, the Michigan Department of Treasury released Revenue Administrative Bulletin (RAB) 2000 – G, “Single Business Tax Base for a Foreign Person”. The RAB described the provisions of the Single Business Tax (SBT) that relate to the tax base of foreign (out-of-state) persons, with the exception of trucking companies, operating in the state of Michigan for tax years beginning on or after January 1, 2000. For the most part, the RAB was non-contentious, due, in large part, to the negotiated title passage settlement reached in June 1999 which narrowed the SBT tax base of Canadian firms significantly. Nevertheless, the Government of Canada continues to seek a number of clarifications from the Department of Treasury with regard to the tax liabilities of foreign persons.

On August, 16, 2000, the Department of Treasury released RAB 2000 – H, SBT Foreign Transportation Services. On the one hand, RAB 2000 – H incorporated “world-wide miles” into the formula used by foreign transportation companies to calculate their tax base, thereby reducing the SBT liability of Canadian trucking companies to some degree. On the other hand, there remained a number of

important concerns which were not addressed by the Revenue Administrative Bulletin. Following an intense period of lobbying and negotiation between officials from the Canadian trucking industry, the Canadian government, and the State of Michigan, on October 3, 2000, a deal was reached with the Department of Treasury to delineate the tax base of Canadian trucking companies for SBT purposes. The deal, which changed the compensation side of the tax base, will see the liability of Canadian truckers in the state fall by an average of two thirds from the existing SBT legislation.

Canadian firms must be aware of their tax liability in Michigan. For more information, please visit the following Web site www.treasury.state.mi.us/lawrules/rabs/rabindex.htm

Marine Mammal Protection Act

The Marine Mammal Protection Act (MMPA) prohibits trade in marine mammal products regardless of species’ conservation status, and therefore appears to be inconsistent with U.S. international trade obligations. For example, under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), neither ringed nor harp seals are considered threatened or endangered in any way, and therefore no monitoring or trade restrictions are justified on the movement of products from either species. However, under the MMPA, both species are restricted, so that no imported product made from animals of these species is allowed into the United States. Canada has communicated its concerns to the U.S. Administration.

Other U.S. State Taxes

Canadian trucking companies currently face an increasing level of activity by various U.S. state tax authorities. In some cases, the taxes these states are imposing on foreign (out-of-state) corporations are creating problems, including double taxation, retroactive application, and compliance concerns, similar to those encountered by Canadian firms as a result of the Michigan Single Business Tax. The Government of Canada will continue to monitor taxation developments at the state-level to ensure that these taxes are applied in a fair and consistent manner, in accordance with internationally accepted taxation principles.