

practices by provincial liquor boards, consultations with Canada were held under the GATT dispute settlement provisions. The panel received submissions from the parties to the dispute. In addition, bilateral consultations with a view to reaching a mutually satisfactory solution continued during the period under review.

Harmonized system of tariffs

Preparations continued for the implementation of the Harmonized Commodity Description and Coding System (HS). Canada took an active part in this task of the GATT Committee on Tariff Concessions. Particular emphasis was placed on: examining the tariff conversions of major trading partners, working towards a consensus on modalities used for the GATT Article XXVIII negotiations and preparing for a data base on tariffs to serve the HS negotiations and the Multilateral Trade Negotiations. The Product Coverage Annex of the GATT Agreement on Trade in Civil Aircraft was also converted to HS format. It is now expected that Canada and our major trading partners will implement the HS on January 1, 1988.

Softwood lumber

Canada initially raised its concerns with regard to initiation of a US countervailing duty investigation against Canadian timber pricing practices in meetings of the GATT Council on May 22 and June 17. The failure of conciliation efforts in the Subsidies Committee led to Canada's request for the establishment of a panel. The meetings of the panel dealt with the question of principle, viz. whether Canadian timber pricing practices could constitute a subsidy in the sense of Article VI or XVI of the GATT. On December 30, 1986, Canada and the US reached a bilateral settlement. The GATT dispute settlement process provides for and encourages such bilateral resolution of disputes at any stage of the dispute settlement process. In accordance with GATT procedures and the agreed minute to the Canada-United States Memorandum of Understanding on Softwood Lumber, Canada advised the GATT that a mutually satisfactory settlement to the dispute had been reached.

Enlargement of the European Community

Subsequent to the entry of Spain and Portugal into the European Community, Canada and other trading partners have been engaged in negotiations on compensation for impairment of market access into the EC following the integration of Spanish and Portuguese trading régimes into that of the Community. Negotiations between Canada and the EC began with a view to reaching a conclusion by the summer of 1987.

US Superfund legislation

After consultation with the United States, Canada, the European Community and Mexico requested a GATT panel to examine discriminatory tax practices included in the Superfund legislation. The US agreed to the panel, which commenced proceedings on March 23, 1987.

US customs user fees

As a result of an *ad valorem* tax imposed by the US on imports from Canada and most other countries, Canada

participated in requesting a panel under the GATT dispute settlement provisions. A panel was agreed to in March 1987.

Organization for Economic Co-operation and Development

Canada participated actively in the OECD during the year, particularly in pursuit of agriculture and trade interests. At their annual meeting in April, OECD ministers endorsed the need to launch a comprehensive new round of multilateral trade negotiations and stressed the need to re-orient agricultural policies.

In addition to its continuing reviews of trade developments, the Trade Committee addressed several important issues, notably in support of multilateral trade negotiations, and continued its surveillance of trade policy developments in member countries. Work was undertaken to complete conceptual work on principles and rules which could be included in a multilateral arrangement governing trade in services and testing of these elements began against selected services sectors. Important new work was begun regarding trade-related investment measures, trade aspects of intellectual property, trade with developing countries and trade concepts, e.g. Most Favoured Nation.

The OECD Industry Committee addressed, as major themes of interest to Canada and other OECD countries, the financing of changing needs for industry, and the impact of changes in oil prices on industrial policy and activity. The Committee continued efforts to improve the transparency (i.e. clarity and openness to public scrutiny) of OECD industrial policies through its continuing review of related government measures and by examining specific topics of concern including industrial adjustment and government support, and quantification of government support measures. Activities also focused on developments in industrial technology in specific sectors and included *inter alia* the promotion of new technologies as a means for regional development. A study was published on policies covering development of venture capital for industrial investment. The Committee examined the changing role of government in regional development vis-à-vis the private sector, different levels of government and the geographical focus of regional development incentives.

The OECD Steel Committee continued activities to encourage co-operation in facilitating steel industry adjustment to continuing global overcapacity, weak market conditions and the restrictive steel trade environment. The Committee reviewed policy developments including monitoring of carbon steel imports into Canada from September 1986 and embargoes on steel imports from South Africa into Canada, the United States, the European Community and Japan. While OECD steel capacity continued to decline, substantial increases in non-OECD capacity were forecast to occur between 1985 and 1990 in a study prepared for the Committee. The Committee also considered trends in the automotive sector affecting steel consumption, labour market developments arising from changes in age structure and qualifications of steelworkers, and export financing support for steelmaking plants and equipment.