

CANADA - CERTAIN MEASURES CONCERNING PERIODICALS

Status Report by Canada

The following communication, dated 12 March 1998, from the Permanent Mission of Canada to the Permanent Mission of the United States and to the Dispute Settlement Body, is circulated pursuant to Article 21.6 of the DSU.

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Status Report Regarding Implementation of the Recommendations and Rulings  
in the Dispute Regarding Canada - Certain Measures Concerning Periodicals  
Panel Report (WT/DS31/R) and  
Appellate Body Report (WT/DS31/AB/R)

Pursuant to Article 21.6 of the Understanding on Rules and Procedures Governing the Settlement of Disputes ("DSU"), the Government of Canada presents this first report on the status of the implementation of the recommendation of the Dispute Settlement Body ("DSB") regarding "Canada - Certain Measures Concerning Periodicals".

On 29 August 1997, Canada informed the DSB of its intention to meet its obligation under the WTO with respect to this dispute. At that time, Canada also advised the DSB that a "reasonable period of time" would be required to comply with the ruling. Further to consultations in September 1997 with the United States Trade Representative (USTR), it was agreed by both parties that 15 months constituted a reasonable period of time for implementation. Canada accordingly informed the DSB of this agreement at the meeting held on 25 September 1997.

The Department of Canadian Heritage has initiated a process of consultation regarding the necessary steps to comply with the DSB ruling.

To achieve compliance, changes will be required to Tariff Item 9897.00.00 of the new 1998 Customs Tariff which contains the former provisions of Tariff Code 9958 (i.e., the prohibition on the importation into Canada of periodicals that contain advertising directed at the Canadian market). The necessary changes to the Tariff will be made by way of Executive Order which will require approval by Cabinet and will be signed into law by the Governor General. Amendments will also need to be made to part V.1 of the Excise Tax Act which imposes a tax on the value of all advertisements in split-run editions of magazines distributed in the Canadian market. These amendments must receive Parliamentary approval through the legislative process for bills. The first step in the process is approval by Cabinet of the proposed legislative policy before it is drafted in the form of a bill. Once authority

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is received and the bill is drafted, the bill is approved once more by Cabinet before it is introduced in Parliament. The bill is then introduced in the House of Commons and must go through three readings. At second and third reading, the bill is subject to a full debate by the House of Commons. Between second and third reading, the bill undergoes a full study, i.e., witnesses are called by a Parliamentary committee where amendments may be made. After it is passed by the House of Commons, the bill moves to the Senate where it is given the same three readings and is studied by a Senate Committee. Should there be any amendments to the bill emerging from the Senate, the amendments must be referred back to the House of Commons for approval.

The Government is in the process of seeking approval to amend the relevant legislation. At the same time, work is underway to ensure that the necessary changes will be ready for tabling in sufficient time for the agreed implementation.

In response to the ruling on Canada's postal subsidy, the Government is reviewing changes to the Publications Assistance Program to ensure that it conforms to the DSB ruling. This review process also will ensure changes are made to the postal rate in order to eliminate the differential pricing policy.

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