

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

C/62

15 October 1965

Limited Distribution

COUNCIL
19 October 1965

Original: English

CANADA/UNITED STATES AGREEMENT ON AUTOMOTIVE PRODUCTS

Request for Waiver by the Government of the United States

The Director-General has received the following communication dated 15 October from the United States representative.

You will recall that at the request of the United States and Canadian delegations you circulated on 27 January 1965 as document L/2339 the text of an agreement concerning automotive products between the Governments of the United States and Canada which was signed on 16 January 1965. This agreement was the subject of consideration by the Council on 28 January 1965 and by the CONTRACTING PARTIES which, at their twenty-second session, appointed a Working Party to examine the agreement and any aspects of it relevant to the General Agreement and report to the CONTRACTING PARTIES.

In his presentation to the Council on 28 January 1965 the United States representative indicated the intention of his Government to request a waiver in due course. When the report of the Working Party on the agreement (L/2409) came before the CONTRACTING PARTIES at their twenty-second session, the Chairman in summing up the discussion suggested that if the Government of the United States were to consider it necessary at a later date to seek action by the CONTRACTING PARTIES in order to reconcile its participation in the agreement with its obligations under GATT, the matter should be referred in the first instance to the Council for consideration.

The United States Congress has now enacted legislation to enable definitive effect to be given to the agreement, and I have been instructed formally to apply to the CONTRACTING PARTIES for a waiver, in accordance with the provisions of paragraph 5 of Article XXV of the General Agreement, to permit the Government of the United States, notwithstanding the provisions of paragraph 1 of Article I of the General Agreement to eliminate certain duties and other charges imposed on or in connexion with the importation of automotive products of Canada without being required to extend the same treatment to like products of any other contracting party.

It would be appreciated if you would bring this waiver request to the attention of the members of the Council by inscribing it on the agenda for its 19 October meeting, in order that at that time the Council may appoint a Working Party to consider the terms of a waiver decision and to report to the Council.

I enclose a memorandum on the subject which you may circulate to the contracting parties for their information.

/.

ANNEX
MEMORANDUM

15 October 1965

On 16 January 1965 the Governments of the United States of America and Canada concluded an Agreement (circulated to contracting parties as document L/2339) providing for duty-free treatment for trade in automotive products between their two countries. The Agreement is intended to take into account certain special factors (geographic proximity, close corporate relationships, and interchangeability of products) characterizing the automotive industries of the United States and Canada. These special factors offer unique opportunities to rationalize the production of automotive products in the two countries and to increase the efficiency of Canadian-United States automotive production.

It is not the intention of the Government of the United States in eliminating tariffs on vehicles and original automotive equipment produced in Canada to cause imports into the United States market of automotive products to replace imports from like products from other sources. Moreover, the Government of the United States will continue its efforts to seek the reduction of tariff and non-tariff barriers to the expansion of international trade in automotive products. Furthermore, the Government of the United States assures the contracting parties that it will, upon request, promptly enter into consultations with any contracting party to the General Agreement considering that the elimination of United States duties on Canadian automotive products is causing a substantial increase of imports of such products from Canada at the expense of imports from the requesting contracting party.

In his presentation to the Council on 28 January 1965 the United States representative indicated the intention of his Government to request a waiver in due course. When the report of the Working Party on the Agreement (L/2409) came before the CONTRACTING PARTIES at their twenty-second session, the Chairman in summing up the discussion suggested that if the Government of the United States were to consider it necessary at a later date to seek action by the CONTRACTING PARTIES in order to reconcile its participation in the Agreement with its obligations under GATT, the matter should be referred in the first instance to the Council for consideration.

The United States Congress has recently enacted legislation to enable the Government of the United States to apply the provisions of its Agreement with the Government of Canada, and the Government of the United States now seeks action by the CONTRACTING PARTIES in order to reconcile its application of the Agreement with its obligations under the GATT. It requests the CONTRACTING PARTIES, in accordance with paragraph 5 of Article XXV of the General Agreement to waive its obligations under paragraph 1 of Article I of the General Agreement to permit it to eliminate customs duties and other charges imposed on or in connexion with the importation of automotive products from Canada without being required to extend the same treatment to like products of any other contracting party. It would expect the waiver decision to include appropriate provisions to safeguard contracting parties with respect to any substantial trade diversion that might be created by the exemption from duty of Canadian automotive products.

The Government of the United States would be grateful if, at its meeting on 19 October 1965, the Council could make appropriate arrangements for the preparation of a draft decision.