

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

COM.TD/W/426  
17 May 1985

Limited Distribution

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Committee on Trade and Development  
Fifty-Sixth Session  
25-26 June 1985

## PART IV CONSULTATIONS: BACKGROUND INFORMATION

### Canada

#### Note by the Secretariat

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<sup>1</sup> Being issued as an addendum to this document.

Introduction

1. At their Thirty-Eighth Ministerial Session in November 1982, the CONTRACTING PARTIES, with a view to improving the review and surveillance procedures in regard to the implementation of Part IV, decided that:

- (a) "the Committee on Trade and Development, bearing in mind particularly the special responsibility of the developed contracting parties in this regard, shall adopt a programme of consultations with contracting parties individually or collectively, as appropriate, to examine how individual contracting parties have responded to the requirements of Part IV;
- (b) "each such consultation shall be based on information supplied by the contracting party or parties in question and additional factual material prepared by the secretariat;
- (c) "the Committee on Trade and Development shall also examine other aspects of existing procedures for reviewing the implementation of Part IV and for dealing with problems relating to the application of its provisions, and prepare guidelines for their improvement."

2. At its Forty-Ninth Session, in March 1983, the Committee on Trade and Development agreed that the Part IV consultations should be carried out in the Committee itself. It also agreed that discussions, in the course of the consultations, could be organized under the following general points:

- (a) overall review of developments in a country's trade flows and factors affecting such trade;
- (b) examination of how a country's economic and trade policies have responded to the objectives and principles contained in Article XXXVI;
- (c) examination of how trade policy measures have responded to the commitments of the countries concerned under Article XXXVII;
- (d) consideration of any matters relating to joint action under Article XXXVIII.

3. In regard to the question of documentation to provide the necessary basis for the consultations, the Committee agreed that the consulting country would be invited to submit a paper containing information relevant to the points mentioned above, and that the secretariat would prepare a factual background paper covering developments in trade and trade policy in regard to the country or group of countries being consulted.

4. At the Fifty-Fourth Session of the Committee on Trade and Development, and the Fortieth Session of the CONTRACTING PARTIES, held in November 1984, it was agreed that the programme of consultations on the implementation of Part IV would be continued during 1985. It was noted that four countries (namely Canada, Switzerland, Australia and New Zealand) had agreed in principle to consult during 1985.

5. The present document contains factual background material covering developments in trade and trade policy in regard to Canada. The material has for the most part been drawn from available official and GATT documentation. It is not intended to be exhaustive.

6. While every effort has been made, including consultation with the delegation concerned, to present a clear and factually accurate picture of the situation, the information is subject to verification and correction in the light of any comments or suggestions that might be made by delegations.

## SECTION I: Economic background

### Trends in indicators of domestic economic activity

7. As with most of the major industrial economies, in 1980/82 the Canadian economy experienced its worst recession in the post-war period. Since then, however, there have been positive signs of recovery, which in some measure have been influenced by developments in the United States economy. By early 1984 the economy had achieved its previous peak (mid-1981) output level. The strength of the recovery is indicated by the fact that real output expanded some 6.6 per cent from the fourth quarter of 1982 to the fourth quarter of 1983. On an annual basis, real GNP growth for 1983 was a more modest 3 per cent, which nevertheless represented a higher than average rate for the OECD area as a whole. Recent estimates of GNP growth in 1984 point to a rate above 4 per cent.

8. In a longer term historical perspective, a real GNP growth rate of around 3 to 4 per cent compares favourably with the average rate recorded between 1974 and 1982, but less so with the rate for the period from 1966 to 1973. In the latter period, average real GNP growth was 5.5 per cent, whereas in the period from 1974 to 1982, the relevant figure was 2.1 per cent. Looking at the recent period more closely, real growth had recovered to about 2 per cent per annum by 1977, after the 1974-75 recession, and was then 3.6 per cent and 3.2 per cent respectively in 1978 and 1979. Following the oil price rise of 1979 and the beginning of the recession, Canada registered a real growth rate of only 1 per cent in 1980. A temporary improvement in 1981, when annual GNP growth climbed once again to over 3 per cent, was more than offset by a negative rate of 4.4 per cent in 1982. Thus it was not until 1984 that real income recovered to its previous highest level.

9. A disaggregation of the elements entering national expenditure indicates that the contribution to recovery of different components of demand has varied considerably. The real rate of growth of total gross fixed investment was negative in 1983, owing to reduced private outlays in non-residential investment. By contrast, there was a significant increase in private sector residential construction, but this was not sufficient to offset the negative growth in total gross fixed investment during that year. The other component in the national accounts which showed a negative trend in 1983 was the foreign balance, or net exports of goods and services (in real terms). This element was small in relation to total GNP and it may be noted that underlying the negative foreign balance were positive import and export growth figures. It appears that in contrast to 1983, the contribution of the foreign balance to GNP growth was positive in 1984.

10. Of the elements contributing to economic recovery from 1983 onwards, one of the most quantitatively significant has been inventory accumulation. Although this element of demand may to a degree respond to a cyclical pattern which does not correspond very precisely with broader trends in the economy, it nevertheless accounted for considerably more than half of the increase in total demand (expenditure) in 1983. In addition, private

consumption has recovered strongly, at approximately the same rate as GNP in 1983. Vigorous growth in private consumption has an important impact on total growth, since it accounts for over 50 per cent of total demand or expenditure in the economy. Increased consumer demand has been particularly strong in respect of motor vehicles and household appliances.

11. In terms of sectoral output, the recent recovery has benefitted certain industries in particular. The forestry industry has benefitted from strong growth in residential construction in the United States. In manufacturing, the automobile industry experienced significant output increases as a result of increased demand. Increased output in the automobile industry has had a beneficial effect on certain parts of the steel and mining industries as well. Despite these improvements, the overall level of capital capacity utilization in Canadian manufacturing industry, measured at 72.4 per cent at the end of 1983, remains below the average utilization level of the pre-recession years.

12. Turning to other macroeconomic indicators of economic performance, it is notable that the recovery was not, at least up until mid-1984, accompanied by significant improvements in the employment situation. At the height of the recession, towards the end of 1982, the unemployment rate reached a peak of 12.8 per cent. The unemployment rate then fell to 11.1 per cent by the end of 1983, only to increase again to around 11.5 per cent by mid-1984. Viewed from a longer-term perspective, Canada's labour market has been the fastest growing among OECD countries. The Canadian labour market grew at an annual average rate of 2.6 per cent between 1960 and 1982, whereas the comparable figure for the OECD area as a whole was only 0.9 per cent. Despite the relative dynamism of the labour market, however, employment gains have been exceeded by growth of the labour force. Labour force growth is accounted for by demographic trends and immigration, as well as by an increase in the participation rate, especially among women. This imbalance between job creation and labour force growth has resulted in Canada's unemployment rate being above the OECD average.

13. In contrast to the employment situation, Canada has registered significant success in reducing the rate of growth of the price level. Underlying the reduction in the inflation rate has been slower growth in both prices and wages. The rate of increase in consumer prices fell from 10.8 per cent in 1982 to 5.9 per cent in 1983. By the end of 1983 the year-on-year increase in consumer prices had dropped well below 5 per cent, and it appears that the annual inflation rate for 1984 was also less than 5 per cent. This represents the lowest inflation rate since the early 1970s. Food and energy prices have been instrumental in the improved inflation performance. Food prices increased by 3.7 per cent in 1983, compared to 7.2 per cent and 11.4 per cent in 1982 and 1981 respectively. While energy prices rose by almost 20 per cent in 1982, the rate for 1983 was about half of this. As far as wages are concerned, the increase in unit labour costs (the difference between average wage and average productivity increases) was approximately 3 per cent in 1983, compared to 12.4 per cent in 1982. This improvement is attributable both to more moderate wage increases and to increased productivity.

#### Trends in international transactions

14. Canada has enjoyed a positive balance on the trade account over several years. The size of the trade surplus has tended to increase during the period since 1976. There was a doubling of the surplus in 1980, and again in 1982. Whereas in 1980 the increased surplus arose from a higher

growth of exports than imports, in 1982 the doubling of the surplus was the result of import contraction exceeding export contraction (see Table 1). Looking only at the three years up to 1983, the trade surplus amounted to US\$6.6 billion in 1981 and to US\$14.9 billion in both 1982 and 1983. The change in the trade figures from 1981 to 1982 provides a clear indication of the effects of the recession on Canada's trade performance, although as already mentioned, import contraction (15.8 per cent) far exceeded export contraction (2.9 per cent) in that year. In 1983 both imports and exports increased by US\$5.3 billion, which represented growth of 9.6 per cent for imports and 7.5 per cent for exports. The trade picture changed significantly in 1984, with both exports and imports growing strongly. According to current estimates, exports amounted to US\$85.2 billion and imports to US\$72.5 billion in 1984, giving rise to a trade surplus of US\$12.7 billion, and implying export and import growth rates of approximately 20 per cent and 18 per cent respectively. The bulk of this expansion occurred in trade with the United States, in respect of which exports expanded by some 28 per cent and imports by about 27 per cent.

15. Canada's continued surplus on the trade account arises from the fact that deficits on trade in manufactured goods have been consistently smaller than the surpluses on trade in primary products. Canada has, at least for the past several years, run surpluses on trade in food, raw materials, ores and other minerals, fuels and non-ferrous metals. On the other hand, trade deficits have persisted in respect of such goods as engineering products, machinery for specialized industries, office and telecommunications equipment, transport equipment and household appliances. However the picture is not uniform with respect to deficits on trade in manufactures, as shown, for example, in the case of road motor vehicles, where Canada registered trade surpluses in 1982 and 1983.<sup>1</sup>

16. In contrast to the trade account surpluses that Canada has registered over the years, the services account has consistently remained in deficit. In the three years up to 1983, the services deficit was constant at about US\$14.0 billion (see Table 1). In the period from 1976 to 1981 the deficits on the services account were larger than the surpluses on the trade account, leading to current account deficits during those years. In 1982 and 1983, on the other hand, larger trade surpluses resulted in current account surpluses, amounting to US\$2.0 billion in 1982 and US\$1.5 billion in 1983.

17. An overview of movements in the capital account suggests that Canada has tended to be a net importer of both long-term and short-term capital. The exceptions to this pattern between 1976 and 1983 occurred in 1980, 1982 and 1983; in 1980 and 1983 Canada was a net exporter of long-term capital and in 1982 a net exporter of short-term capital. When long-term capital flows are broken down between direct investment and portfolio investment, it appears that since 1980 Canada has moved from the position of a net importer of direct investment to that of a net exporter of direct investment, while continuing to be a net importer in terms of portfolio investment.

18. Table 2 shows the broad geographic distribution of Canada's trade in 1981, 1982 and 1983. After decreasing by about 2 per cent in 1982, the

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<sup>1</sup>Trade in this sector takes place almost exclusively with the United States.

Table 1  
Balance-of-Payments, 1981, 1982, 1983  
(in US\$'000 million)

	1981	1982	1983
Exports f.o.b.	72.5	70.4	75.7
Imports f.o.b.	65.9	55.5	60.8
Trade balance	6.6	14.9	14.9
Net services	-13.0	-14.0	-14.0
Private and official transfers, net	1.3	1.1	0.6
Current account balance	-5.1	2.0	1.5
Direct investment, net	-8.7	-2.3	-3.6
Portfolio investment, net	8.8	7.7	3.4
Other long-term capital, net	0.5	-0.7	0.1
Other short-term capital, net	12.9	-7.0	3.2
Errors and omissions	-7.7	-1.5	-4.5
Other transactions <sup>1</sup>	-0.5	1.1	0.5
Total change in reserves <sup>2</sup>	-0.2	0.7	-0.6

<sup>1</sup> Includes counterparts to SDR allocations and valuation changes in reserves, as well as exceptional financing

<sup>2</sup> A negative sign (-) implies an increase in reserves

Source: IMF, International Financial Statistics, February 1985

Table 2

Balance and Direction of Trade, 1981, 1982, 1983  
(in billion US\$, exports and imports, f.o.b.)

	1981			1982			1983		
	Exports	Imports	Trade balance	Exports	Imports	Trade balance	Exports	Imports	Trade balance
Total trade <sup>1</sup>	68.3	64.9	3.4	67.0	54.3	12.7	72.4	60.5	11.9
Developed countries	58.2	55.4	2.8	57.1	47.5	9.6	63.0	53.6	9.4
Oil-exporting developing countries	2.1	4.7	-2.6	2.1	2.5	-0.4	1.6	1.7	-0.1
Other developing countries	4.9	4.4	0.5	4.5	4.0	0.5	4.6	4.8	-0.2
Eastern trading area	2.7	0.4	2.3	3.0	0.3	2.7	2.9	0.4	2.5

<sup>1</sup> Individual components do not add up to totals for the columns showing exports and the trade balance because small amounts of exports have not been specified as to destination

Source: GATT, International Trade, 1983/84.

total value of Canada's exports increased by 8 per cent in 1983.<sup>1</sup> Almost all of the increase in 1983 was attributable to exports to developed countries, and although not indicated in Table 2, was largely a result of increased manufactured goods exports. The only other country grouping in respect of which Canada expanded the value of its exports in 1983 was the non-oil developing country category, and the increase was rather modest (2.2 per cent). Turning to imports, the total value of Canadian imports fell by 16.3 per cent in 1982 and then increased by 11.4 per cent in 1983. In absolute terms the reduction in imports in 1982 was attributable mainly to trade with developed countries, but in terms of rates of change the largest reduction occurred with respect to imports from oil-exporting developing countries (-46.8 per cent). The other country groupings identified in Table 2 also experienced some reduction in the value of their exports to Canada in 1982. Canadian import growth in 1983 was once again attributable mainly to exports for developed countries, but non-oil developing countries and the Eastern trading area also expanded the value of their exports to Canada in that year. On the other hand, the oil-exporting developing countries continued to experience negative export growth to the Canadian market in 1983. Figures are not readily available for the geographical distribution of Canada's imports and exports in 1984, but the strong growth of trade with the United States last year means that the latter country (and therefore the developed country group designated in Table 2) accounted for a greater share of Canada's trade in 1984 than in previous years.

19. Table 2 indicates that the trade surpluses registered in 1981, 1982 and 1983 were made up of a combination of surpluses and deficits with respect to the different country groupings identified. In 1981 and 1982 Canada had trade surpluses with all country groupings except the oil-exporting developing countries. In 1983 there were small trade deficits with the two developing country groupings and surpluses with the other groupings (developed countries and Eastern trading area). The significantly larger overall surpluses in 1982 and 1983 were attributable mainly to positive trade balances with the developed countries.

20. The bulk of Canada's trade takes place with other developed countries. In 1983, for example, developed countries accounted for 87 per cent and 88 per cent of Canada's exports and imports respectively. The bulk of this trade takes place with the United States, which in 1983 accounted for 73 per cent of total exports and 72 per cent of total imports. Of the remainder, non-oil exporting developing countries accounted for 6 per cent of exports and 8 per cent of imports, oil-exporting developing countries for 2 per cent of exports and 3 per cent of imports, and the Eastern trading area for 4 per cent of exports and 1 per cent of imports.

21. A longer term overview of the geographic distribution of Canada's trade shows that the shares of the different country groupings identified in Table 2 have not changed greatly during the last ten years. On the imports side, the share of oil-exporting developing countries rose after the 1973 oil price rise, but by the early 1980s had fallen below its 1973 level. By contrast, the share of non-oil developing countries in Canada's

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<sup>1</sup>The trade figures in Tables 1 and 2 do not correspond exactly because different statistical sources have been used.

imports has shown an upward trend, particularly over the four years up to 1983, when their share rose from 5.7 per cent in 1980 to 8 per cent in 1983. On the exports side, all country groupings except for the developed countries accounted for greater shares of Canadian exports in 1983 than in 1973, although there was some fluctuation around this trend in the intervening years. The fall in the developed country share of Canada's exports between 1973 and 1983 amounted to 4 percentage points, again with some fluctuation around this figure during the intervening years.

## SECTION II: Tariff system and imports according to tariff treatment

### Tariff system

22. Tariffs constitute the most important commercial policy instrument for Canada: as indicated in Section V, non-tariff measures maintained by Canada are rather limited in terms of product coverage. The basic legislation on tariff matters is "an Act Respecting the Duties of Customs", which may be cited as the "Customs Tariff".

23. The Canadian Tariff Schedule for 1985 indicates the following types of tariffs:

- (i) General Tariff (GT)
- (ii) Most-Favoured-Nation Tariff (MFN)
- (iii) United Kingdom and Ireland Tariff
- (iv) British Preferential Tariff (BPT)
- (v) General Preferential Tariff i.e., GSP

In addition, some tariff headings indicate special tariff rates applicable only to Australia and New Zealand.

24. General tariff rates, which are the highest among different types of tariff rates, are applied to a limited number of countries, not members of GATT, i.e. Albania, Balau Islands, Libya, Mongolia, North Korea, Oman and Saudi Arabia. While petroleum imports from Saudi Arabia constitute a major part of all imports from these countries, imports of crude petroleum for refining are temporarily granted duty-free treatment (see item 26715-1) and most non-crude petroleum items are granted duty-free treatment, though these duties have not been bound.

25. United Kingdom and Ireland tariff rates are either equal to present m.f.n. rates or correspond to final Tokyo Round concession rates where Tokyo Round concessions have not yet been fully implemented. Thus, such special interim tariff rates will disappear with the full implementation of Tokyo Round concessions.

26. British preferential tariff rates are applicable to Australia and New Zealand. These rates are also applicable to all Commonwealth developing

countries which are beneficiaries of the Canadian GSP.<sup>1</sup> When Canada introduced its GSP scheme, most BPT rates on industrial products and some on agricultural products were extended to GSP beneficiary developing countries. Developing countries entitled to BPT still maintain the advantage of enjoying BPT rates lower than GSP rates on a few items and BPT rates on a number of items which have not yet been absorbed by the GSP scheme of Canada. The Commonwealth developing countries are in a position to enjoy GSP rates in cases where GSP rates are lower than BPT rates.

27. The Commonwealth developing countries entitled to BPT are also subject to simpler and more lenient rules of origin under BPT than the rules of origin for GSP. To qualify for the BPT treatment it is generally required that not less than one-half of the cost of production of the goods be accounted for by the industry of one or more of the countries entitled to the benefits of the BPT. In other words, the minimum value added of 50 per cent is required, as against 60 per cent for the GSP. Furthermore, certificates of origin are not required for BPT.

28. Details of m.f.n duties and GSP are provided in Sections III and IV below.

#### Tariff nomenclature and customs valuation

29. The Tariff Schedule of Canada is based on its own national nomenclature and is broken down into twelve groups. Most products falling within Groups I, II, III and IV, many products falling within Group VI and a number of items falling within Groups IX, X and XI are considered as agricultural products.<sup>2</sup> Group VI covers not only agricultural products such as plants and herbs, lacs and gums, vegetable and animal oils and cassava root but also other items such as petroleum oil, certain chemical products, soap, essential oils, etc.

30. Tariff heading 71100-1 in Group XI covered all goods not specified in the tariff schedule and not otherwise declared free of duty. Thus, this basket tariff item included unspecified agricultural/tropical products. As a result of the Tokyo Round a new tariff item 71100-7 was established, separately classifying "prepared foods and beverages, including ingredients therefor, for human consumption; ingredients for animal and poultry feeds, n.e.s". In 1985 an m.f.n. rate of 12 per cent and a GSP rate of 8 per cent

<sup>1</sup> Developing countries and territories enjoying both the GSP and the BPT as of 1 January 1985: Antigua-Barbuda, Ascension, Bahamas, Bangladesh, Barbados, Belize, Bermuda, Botswana, Brunei, Cayman Islands, Christmas Island, Cocos (Keeling) Islands, Cook Islands, Cyprus, Dominica, Falkland Islands, Fiji, Gambia, Ghana, Gibraltar, Grenada, Guyana, India, Jamaica, Kenya, Kiribati, Lesotho, Malawi, Malaysia, Malta, Mauritius, Montserrat, Nauru, Nigeria, Norfolk Island, Pakistan, Papua New Guinea, Pitcairn, St. Christopher (Kitts) - Nevis - Anguilla, St. Helena, St. Lucia, St. Vincent and the Grenadines, Seychelles, Sierra Leone, Singapore, Solomon Islands, Sri Lanka, Swaziland, Tanzania, Tokelau Islands, Tonga, Trinidad and Tobago, Tristan Da Cunha, Turks and Caicos Islands, Tuvalu, Uganda, Vanuatu, Virgin Islands (British), Western Samoa, Zambia and Zimbabwe.

<sup>2</sup> (a) Canadian tariff items in Groups I-IV considered as industrial products: 1100-1, 1210-1, 1520-1, 3925-1, 3930-1, 15910-1 16001-1, 16002-1, 16101-1, 16102-1, 16215-1. (b) Canadian tariff items in Groups IX-XI considered as agricultural products: 49700-1, 49805-1, 49905-1, 54015-1, 54020-1, 58400-1, 63200-1, 63300-1, 64000-1, 65400-1, 65410-1, 66325-1, 66335-1, 66340-1, 67900-1, 68000-1, 68005-1, 68010-1, 68600-1, 69115-1, 71100-7, 71110-1, 78600-1, 83000-1, 84700-1 915100-1 to 4, 93100-4, 93819-13

is applied to 71100-1 (final concession rate: 10.2 per cent and final GSP rate: 6.5 per cent). An m.f.n. rate of 17.5 per cent and a GSP rate of 11.5 per cent is applied to 71100-7. No concession was granted on this new item in the Tokyo Round.

31. It has not been an easy task for traders and negotiating partners to identify for a product in question the relevant tariff heading in the Canadian Tariff Schedule, and uncertainty often remained in the identification made, particularly with respect to small trade items not specified in the tariff schedule. However, it may be noted that the Canadian Government has expressed its intention to introduce the Harmonized Commodity Description and Coding System (H.S.) developed by the Customs Co-operation Council. An early adoption of the H.S. by Canada will greatly facilitate future trade negotiations with Canada.

32. The GATT inventory of non-tariff measures included some special valuation practices of Canada. With effect from 1 January 1985 however, Canada has introduced a new system of customs valuation consistent with the GATT Valuation Code. Canada intends to renegotiate its tariff concessions on approximately sixty items with a view to adjusting tariff rates on those items to compensate for the loss of protection resulting from the implementation of the new system (VAL/14).

#### Imports according to tariff treatment

33. Table 3 shows 1982 imports of Canada according to tariff treatment for all products, agricultural products, industrial products and petroleum respectively. Total imports of Canada in 1982 amounted to US\$54 billion, of which imports of agricultural products, industrial products and petroleum accounted for 8 per cent, 84 per cent and 8 per cent, respectively. Of this total, imports from m.f.n. sources accounted for 88 per cent and from GSP beneficiary developing countries (including Commonwealth developing countries enjoying British Preferential Tariff) 10 per cent. Of the remaining 2 per cent, imports from Australia and New Zealand enjoying special preferences and imports from countries subject to the General Tariff accounted for 1 per cent each.

#### Imports from and through the United States

34. It may be noted that the United States alone accounted for 70 per cent of all Canadian imports. As in the case of small markets in Europe which are largely dependent on supplies from or through the neighbouring large market - EEC, Canada depends very considerably on the United States for its imports, including trans-shipment of goods from developing countries. While the Canadian market is a sizeable one as a whole, its population is spread over a wide area bordering the United States. For traders and producers in such a market, it is not always commercially advantageous to purchase goods directly from developing countries. For example, in 1983 about one-third in value of Canadian imports of cocoa (beans and products) and of pepper were through the United States sources. In the case of coffee and coffee products the share of products sourced through the United States was 28 per cent of Canadian imports of those products.

35. It may also be noted that these tropical products are mostly imported free of duty into the United States. Where products from developing countries are dutiable in both the United States and Canada, imports of

Table 3

Imports of Canada in 1982 according to tariff treatment

	(US\$ million)				
	Total	m.f.n. sources	GSP beneficiaries	Australia New Zealand	General <sup>1</sup> Tariff Sources
Total imports	54,062 100%	47,389 87.7%	5,592 10.3%	465 0.9%	616 1.1%
Agricultural products	4,378 100%	3,209 73.3%	896 20.5%	273 6.2%	-
m.f.n. 0% bound	1,923 43.9%	2,476	573	34	-
m.f.n. dutiable (bound or unbound) and 0% unbound	2,455 56.1%	1,893	323	239	-
Covered by special preference	151 3.4%	-	23	129	-
Covered by GSP <sup>2</sup>	103 2.4%	-	103	-	-
Covered by LDC treatment <sup>2</sup>	0.2	-	0.2	-	-
Other (m.f.n. treatment) <sup>3</sup>	2,201 50.3%	1,893	197	110	-
Industrial products (excluding petroleum)	45,194 100%	42,764 94.6%	2,228 4.9%	192 0.4%	9
m.f.n. 0% bound	12,154 26.9%	11,527	535	89	3
m.f.n. dutiable and 0% unbound	33,040 73.1%	31,237	1,693	103	6
Covered by special preference	56 0.1%	-	30	26	-
Covered by GSP <sup>2</sup>	1,042 2.3%	-	1,042	-	-
Covered by LDC treatment <sup>2</sup>	2	-	2	-	-
Other (m.f.n. treatment) <sup>3</sup>	31,940 70.7%	31,237	620	77	6
Petroleum	4,490 100%	1,416 31.5%	2,468 55.0%	- 13.5%	607

<sup>1</sup>General Tariff sources: Albania, Balau Islands, North Korea, Libya, Mongolia, Oman and Saudi Arabia.

<sup>2</sup>Including imports eligible for GSP or LDC treatment but accorded m.f.n. treatment because of the non-utilization of GSP or LDC preferences.

<sup>3</sup>Including imports of duty-free items unbound or current duty-free items bound at positive rates (ceiling binding).

Source: GATT Tariff Study files

Canada through the United States may be subject to a sort of double taxation if the goods are not directly trans-shipped to Canada, but rather enter first the United States for its consumption. Processed or manufactured products from developing countries which are dutiable in both countries are also imported into Canada through the United States. Thus, Canadian imports from<sup>1</sup> developing countries can be affected by the level of United States duties.

36. One way to alleviate the problem of double taxation would be for large markets to facilitate the refund of customs duties on re-exports as much as possible. However, the effect of such measures would be limited because the identity of origin could be easily lost particularly through processing, and the cost and time involved in customs procedures for obtaining such refunds could be prohibitive. Canada itself has provisions for duty drawback of re-exported goods.

37. The analysis of Canadian imports in this section does not reflect indirect trade with developing countries. Developing countries' share in Canadian imports would be larger than that indicated above if indirect trade were to be taken into account. However, it may be expected that this trade would consist largely of duty-free goods and dutiable goods in the United States for which duty is not a major factor affecting trade.

#### Imports of agricultural products

38. Imports of agricultural products amounted to US\$4,378 million in 1982, of which m.f.n. sources, GSP beneficiary developing countries and the two developed countries enjoying special preferences accounted for 73 per cent, 21 per cent and 6 per cent, respectively. Of the total, 44 per cent comprised imports subject to bound duty-free treatment. The remaining 56 per cent, subject to either positive m.f.n. rates or unbound zero m.f.n. rate, were composed of (i) imports subject to m.f.n. treatment (50.3 per cent), (ii) imports covered by special preferences (3.4 per cent) and (iii) imports covered by GSP (2.4 per cent).

39. Imports of agricultural products from GSP beneficiary developing countries amounted to US\$896 million in 1982, 64 per cent of which enjoyed bound duty-free treatment. The remaining 36 per cent were composed of (i) imports subject to m.f.n. treatment (22 per cent), (ii) imports covered by special preferences (2.5 per cent) and imports covered by GSP (11.5 per cent).

#### Imports of industrial products

40. Imports of industrial products amounted to US\$45,194 million in 1982, of which m.f.n. sources and GSP sources accounted for 95 per cent and 5 per cent, respectively. Of the total, 27 per cent were subject to bound duty-free treatment. The remaining 73 per cent, subject to either positive m.f.n. rates or unbound zero m.f.n. rate, were composed of (i) imports subject to m.f.n. treatment (70.7 per cent), (ii) imports covered by special preferences (0.1 per cent) and (iii) imports covered by GSP (2.3 per cent).

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<sup>1</sup>Such trade relations also exist between the EEC and its neighbouring markets with respect to tropical/agricultural products not covered by the free-trade arrangements among European countries.

41. Imports of industrial products from GSP beneficiary developing countries amounted to US\$2,228 million in 1982, 24 per cent of which enjoyed bound duty-free treatment. The remaining 76 per cent were composed of (i) imports subject to m.f.n. treatment (27.8 per cent), (ii) imports covered by special preferences (1.3 per cent), (iii) imports covered by GSP (46.8 per cent), and (iv) imports covered by least-developed country treatment (0.1 per cent).

#### Imports of petroleum

42. Imports of petroleum amounted to US\$4,490 million in 1982, of which m.f.n. sources, GSP beneficiary developing countries and General Tariff sources accounted for 31.5 per cent, 55 per cent and 13.5 per cent, respectively. Most petroleum imports are subject to duty-free treatment (unbound).

#### An analysis of selected dutiable items of interest to developing countries

43. The tariff average data as presented in this document sometimes conceal tariff problems for individual products, in particular peak tariff rates. Detailed data at the tariff line level are provided in the Annex to this document.

44. The Annex covers dutiable items for developing countries<sup>1</sup> among Canadian tariff items in respect of which imports from GSP beneficiary developing countries and territories accounted for more than 20 per cent of imports from all sources or exceeded \$1 million in 1982. With respect to these items the Annex provides data on tariff treatment (m.f.n., GSP etc.) and the corresponding trade flows in 1982 together with information on quantitative import restrictions, if any.

45. Those items listed in the Annex have been broken down into several agricultural and industrial product groups. With respect to these product groups, Table 4 shows the number of tariff lines and imports in 1982 according to different tariff treatment (m.f.n. GSP, least-developed country treatment and BPT).

46. A large majority of agricultural products listed in the Annex and Table 4 are temperate-zone products although some tropical products such as vegetable oils and cut flowers as well as tariff number 71100-7 covering miscellaneous agricultural/tropical products are also included. Among the industrial product groups listed in Table 4, "textiles and made-up textile articles" is most important in Canadian imports from GSP beneficiary developing countries, followed by "machinery and instruments," "clothing", "steel products and non-ferrous metals" and "leather and leather products".

### SECTION III: M.f.n. duties

#### The level of m.f.n. duties and tariff escalation

47. Table 5 shows pre- and post-Tokyo Round m.f.n. tariff averages (simple and weighted) of nine industrialized markets with respect to industrial products (excluding petroleum) and, amongst these products separately for industrial raw materials, semi-manufactures and manufactures. As the table

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<sup>1</sup> Items other than m.f.n. duty-free items and GSP duty-free items.

Table 4

Products of Export Interest to Developing Countries, Dutiable for these Countries - Imports According to Tariff Treatment  
(Unit US\$ million)

BPT = imports covered by British Preferential Tariff treatment from Australia, New Zealand and Commonwealth developing countries.

LDC = imports covered by least-developed countries treatment.

Note: Imports from GSP beneficiary developing countries are indicated in column (4) - m.f.n. treatment, column (6) - GSP treatment, and column (7) - BPT treatment. Column (7) also covers imports from Australia and New Zealand subject to BPT treatment.

Product groups (1)	Number of tariff lines (2)	Imports from all sources (3)	Imports according to tariff treatment in 1982				
			MFN		GSP (6)	BPT (7)	LDC (8)
			GSP beneficiaries (4)	Other (5)			
(1) Meat, fishery products, dairy products and cereals	19	191 100%	41 21%	133 69%	9 5%	9 5%	-
(2) Vegetables, non-tropical fruits	20	261 100%	69 26%	191 73%	-	1	-
(3) Sugar, tobacco and alcoholic beverages	8	373 100%	60 16%	198 53%	5 1%	111 30%	-
(4) Vegetable oils and cut flowers	3	30 100%	8 25%	17 55%	-	6 20%	-
(5) Miscellaneous agricultural products (71100-7)	1	31 100%	-	29 92%	2 7%	0.2 1%	-
Ch. 1-24 Sub-total agricultural products	51	887 100%	177 20%	566 64%	16 2%	127 14%	-
(6) Rubber, rubber products including footwear	5	297 100%	4 1%	260 88%	33 11%	1	-
(7) Leather and leather products including footwear	12	406 100%	-	266 67%	135 33%	4 1%	0.3
(8) Wood and wood products; paper	9	388 100%	-	351 90%	32 8%	3 1%	1
(9) Textiles; made-up articles	31	951 100%	257 27%	652 69%	18 2%	24 3%	-
(10) Clothing	10	436 100%	131 30%	236 54%	61 14%	8 2%	0.1
(11) Mineral products; precious stones and metals	15	376 100%	11 3%	336 89%	26 7%	1	-
(12) Steel products and non-ferrous metals	27	1,354 100%	86 6%	1,191 88%	72 5%	4	-
(13) Chemicals	9	141 100%	2 1%	134 94%	6 4%	0.4	-
(14) Machinery, transport equipment, precision, measurement, optical, musical instruments and parts	34	5,546 100%	58 1%	5,303 96%	150 3%	31 1%	0.1
(15) Miscellaneous industrial products	15	285 100%	3 1%	212 74%	66 23%	3 1%	-
Ch. 25-99 Sub-total industrial products excl. petroleum	167	10,180 100%	552 5%	8,940 88%	599 6%	80 1%	2
TOTAL	218	11,067 100%	730 7%	9,507 86%	615 6%	207 2%	2

Table 5

Pre- and post-MTN m.f.n. duty averages (simple and weighted)  
industrial products excluding petroleum  
and according to stages of processing

S = simple average; W = weighted average based on imports in 1977 and 1976

		Canada	US	Japan	EEC	Austria	Switz- erland	Finland	Norway	Sweden
All industrial products (excl. petroleum)										
Pre-MTN	S	12.6	11.2	10.2	9.1	11.7	3.7	13.2	8.5	6.0
	W	12.7	6.3	5.4	6.5	8.9	2.9	6.9	4.2	5.6
Post-MTN	S	7.3	6.3	6.0	6.4	8.1	2.9	11.4	6.7	4.8
	W	7.9	4.3	2.7	4.6	7.7	2.2	5.5	3.1	4.0
Of which:										
Raw materials (excl. petroleum)										
Pre-MTN	S	5.0	3.3	2.5	1.9	2.6	1.8	0.8	1.3	0.5
	W	1.5	0.7	1.4	0.1	0.9	0.2	0.7	0.0	0.0
Post-MTN	S	2.6	1.8	1.4	1.6	1.9	1.5	0.5	0.9	0.4
	W	0.5	0.2	0.4	0.1	0.8	0.2	0.3	0.0	0.0
Semi-manufactures										
Pre-MTN	S	11.7	10.1	9.7	8.9	10.3	3.6	12.0	6.7	6.0
	W	11.8	4.4	6.5	5.5	5.7	1.6	6.7	1.7	5.2
Post-MTN	S	6.6	6.1	6.3	6.2	7.3	2.8	11.7	5.4	5.1
	W	8.3	3.0	4.5	4.1	4.7	1.2	5.8	1.4	3.2
Manufactures (excl. petroleum)										
Pre-MTN	S	13.6	13.0	11.5	10.0	13.4	4.0	14.3	10.0	6.6
	W	13.7	8.1	12.4	9.7	18.3	3.9	7.7	5.6	6.5
Post-MTN	S	8.1	7.0	6.4	7.0	9.1	3.0	12.0	7.8	5.1
	W	8.3	5.6	5.9	6.8	16.0	3.0	6.0	4.2	4.8

Source: COM.TD/W/315 and GATT Tariff Study files)

indicates, Canada made significant tariff concessions on industrial products in the Tokyo Round: in the Tokyo Round Canada joined in the formula tariff reductions under which higher duties were reduced by higher percentages. In the industrial sector, post-Tokyo Round tariff levels of Canada are still somewhat higher than those of most of the markets covered by Table 5, at 7.3 per cent in the simple average and 7.9 per cent in the weighted average. As a result of the Tokyo Round, Canadian duties on industrial raw materials, semi-manufactures and manufactures are being reduced from 5.0 per cent, 11.7 per cent and 13.6 per cent respectively to 2.6 per cent, 6.6 per cent and 8.1 per cent in the simple average, and from 1.5 per cent, 11.8 per cent and 13.7 per cent respectively to 0.5 per cent, 8.3 per cent and 8.3 per cent in the weighted average.<sup>1</sup>

48. While most industrial products have been covered by the Canadian GSP scheme, the level of post-Tokyo Round m.f.n. duties (most of which will be fully in force by 1987) continues to be of interest and relevant for developing countries to the extent that GSP is not always utilized by beneficiary countries because of origin rule limitations and certain other reasons and because many GSP rates are linked to the level of m.f.n. and BPT duties (GSP rate = the BPT rate or two-thirds of the m.f.n. rate, whichever is lower).

49. With respect to a number of industrial product groups, Table 6 shows post-Tokyo Round m.f.n. duty averages (simple and weighted) according to the stage of processing. Attention is drawn to footnotes to the table which indicate tariff averages for a number of separately identified product groups from among finished manufactures: these product groups are often subject to distinctly different levels of duties.

50. While post-Tokyo Round duty averages for many industrial product groups are less than 6 per cent, higher averages are recorded for some product groups of export interest to developing countries, i.e., rubber semi-manufactures and manufactures, leather and leather products, footwear, wood manufactures including wood-based panels, textile yarn and fabrics, made-up textile articles, clothing and clothing accessories, mineral products, glass and glassware, articles of precious stones and precious metals, metal manufactures, chemicals at all stages of processing, machinery and miscellaneous manufactures. However, certain products within the groups may be subject to lower GSP rates.

51. Information given above on industrial products is not available for agricultural products. With regard to tariff situation on these products reference may be made to Table 4 and the Annex. It may be noted that in the Tokyo Round Canada made substantial tariff reductions on a number of tropical and agricultural products including spices, bananas, plants, gums, lacs, vegetable and fish oils, meat, cereals, orange juice, fishery products, tobacco and alcoholic beverages. (L/4027/Add.10 and Geneva (1979) Protocol).

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<sup>1</sup> Given the different tariff structure of Canada, tariff average data presented in this document should be considered as tentative. It should also be noted that Canadian tariffs are based on f.o.b. values. All other countries, except the United States, apply duties on c.i.f. values, which are higher than f.o.b. values.

Table 6

Canada - Post-Tokyo Round M.f.n. Duty Averages

S = simple average; W = weighted average based on 1976 imports

		All products	Raw materials	Semi-finished manufactures	Finished manufactures
All industrial products (Ch.29-99) excluding petroleum	S	7.3	0.6	6.6	8.1
	W	7.9	0.5	8.3	8.3
Rubber	S	6.5	2.1	8.5	7.5 <sup>a</sup>
	W	6.9	0.4	10.5	12.1
Leather	S	7.8	1.7	6.9	12.5 <sup>b</sup>
	W	6.3	0.0	6.9	20.2
Wood and cork	S	5.3	2.9	2.6	7.4 <sup>c</sup>
	W	3.0	0.1	0.8	8.1
Pulp, paper and printed matter and other articles	S	5.5	0.0	5.2	7.8 <sup>d</sup>
	W	4.0	0.0	6.2	9.3
Textiles	S	13.3	2.1	9.1	14.6 (Fabrics)
	W	19.7	3.1	12.8	21.5
Made-up articles	S				14.2
	W				20.1
Clothing and clothing accessories	S				20.1
	W				24.2
Mineral products and fertilizers	S	5.8	3.2	-	7.8 <sup>e</sup>
	W	5.4	0.8		7.8
Ores and metals	S	6.8	2.0	See below	8.5
	W	5.9	0.0		9.4
Iron and steel	S		3.8 <sup>f</sup>	6.3	
	W		3.2 <sup>f</sup>	5.9	
Non-ferrous	S		3.6	4.8	
	W		0.1 <sup>g</sup>	4.1	
Essential oils, perfume materials, toilet preparations, etc.	S	7.3		3.6	7.9
	W	10.1		4.5	11.4
Electric machines and apparatus	S				6.7
	W				8.4

<sup>a</sup>Rubber manufactures other than the following: rubber tyres and tubes S 7.4, W 9.8; rubber footwear S 20.6, W 20.1.

<sup>b</sup>Leather manufactures other than the following: travel goods and handbags S 15.0, W 15.3; leather footwear S 15.4, W 22.1.

<sup>c</sup>Wood and cork manufactures other than the following: wood based panels S 7.1, W 7.5; furniture of wood and other materials S 11.8, W 14.2.

<sup>d</sup>Manufactured articles other than printed matter.

<sup>e</sup>Mineral manufactures other than the following: manufactured fertilizers S 0.4, W 0.0; glass and glassware S 7.3, W 7.5.

<sup>f</sup>Ferro-alloys

<sup>g</sup>Unwrought non-ferrous metals

Source: GATT Tariff Study Files.

Bindings of m.f.n. duties

52. Table 7 shows the extent to which a number of developed countries have bound their m.f.n. tariffs in the GATT. Canada has bound 91 per cent of its tariff lines covering agricultural products accounting for 98 per cent of 1982 imports of these products. In the case of industrial products excluding petroleum, Canada has bound 98 per cent of the relevant tariff lines accounting for 92 per cent of 1982 imports of these products. The percentages for agricultural products are the highest among developed country markets. The percentages for industrial products are also among the highest in developed country markets. The value and importance of Canada's tariff bindings to developing countries should increase progressively as they continue to diversify their economies and to increase their participation in international trade.

SECTION IV: GSPIntroduction

53. Canada introduced its system of generalized preferences in favour of developing countries with effect from 1 July 1974. In June 1984 the Canadian Parliament approved legislation to extend the system for a further ten years, up to 30 June 1994 (L/4027/Add.18). The Canadian GSP scheme is designated as the "General Preferential Tariff" in the tariff legislation.

54. The Canadian GSP scheme and amendments thereto have been notified and circulated as GATT documents L/4027 and addenda.

Current (1985) GSP scheme- Beneficiary countries and territories

55. The list of beneficiaries of the Canadian GSP scheme includes 163 countries and territories, of which 61 countries and territories also enjoy the British Preferential Tariff and 36 countries are listed as beneficiaries of special tariff treatment for least-developed countries. This is one of the most comprehensive lists of GSP beneficiaries<sup>1</sup>.

56. In order to qualify for GSP, the beneficiary countries must notify the Canadian Government directly of the designated certifying bodies authorized to issue certificates of origin (Form A). As of 1 January 1985, ninety countries had made the necessary notifications, seventy-three countries and territories (including twenty-six countries and territories enjoying the BPT and twenty-six least-developed countries) still had not done so<sup>2</sup>.

<sup>1</sup>The recent modifications made in the list of GSP beneficiaries are as follows: additions - Portugal (11.8.77), Niue, Tokelau Islands Jordan and the Mariana, Marshall and Caroline Islands (1.1.79), China (6.12.79) and Zimbabwe (18.6.80); deletions: Greece, on its accession to the EEC (1.6.81) and St. Pierre and Miquelon Islands (1.1.79).

<sup>2</sup>The following among them are GATT member countries: Burundi\*, Cameroon, Central African Republic\*, Chad\*, Congo, Gabon, Gambia\*, Kuwait, Mauritania, Niger\*, Rwanda\*, Sierra Leone\*, Togo\*, Uganda\*, Upper Volta\* and Zimbabwe. An asterisk indicates least-developed countries.

Table 7

Importance of M.f.n. Tariff Bindings in GATT  
(in percentage)

Market (and statistical year)	Share of bindings in			
	Tariff lines		m.f.n. imports in the year indicated	
	Agriculture (CCCN chapters 01-24)	Industry excluding petroleum (CCCN chapters 25-99 excluding 2709-10)	Agriculture (CCCN chapters 01-24)	Industry excluding petroleum (CCCN chapters 25-99 excluding 2709-10)
United States (1981)	90	100	95	100
Canada (1982)	91	98	98	92
Japan (1981)	64	97	63	86
European Communities (1981)	63	99	82	100
Austria (1980)	63	96	83	95
Finland (1981)	57	97	76	99
Norway (1981)	70	91	96	97
Sweden (1981)	49	98	79	97
Switzerland (1982)	47	100	64	100
New Zealand (1981/82)	54	52	59	69
Australia (1980/81)	32	17	68	41
Hungary (1981)	23	93	29	96

Note: The estimates refer to the post-Tokyo Round tariffs and cover full and partial bindings. M.f.n. imports include imports entitled to GSP. The figures are preliminary.

- Product coverage

57. Tariff items falling within Groups I, II, III, IV and VI of the Canadian tariff schedule are covered by GSP if specifically enumerated in paragraph 3.1(3)(a) of the Customs Tariff Act. Some 145 tariff headings enumerated constitute a sort of positive list of agricultural products covered by GSP. However, it may be noted that these headings include some 50 industrial products as well, mostly those falling within Group VI.

58. All dutiable industrial products, except those referred to below, are covered by GSP. The following industrial primary products are excluded from the GSP by legislation (the Customs Tariff):

		<u>Final concession rate</u>
53010-1	Wool slivers. *Dutiable before the full implementation of concession rate	Free*
56015-1	Certain man-made filaments	8.5%
56020-1	Man-made fibres for carpet making	8.5%
56025-1	Man-made filaments for cigarette filter tips	8.5%
ex 91510-1	Certain industrial mixtures except fatty alcohols	12.5%
91510-2	Acid oils	8.5%
91511-2	Glycerol, other than crude	12.5%

59. In addition, some fifty other items have been excluded from GSP<sup>1</sup>. Most of these products had been, before the introduction of GSP by Canada, the subject of special trade arrangements with supplying countries. However, the list also includes footwear and textile products not covered by any special trade arrangements, which, (according to the Canadian Government), "had been entering Canada in such quantities and under such conditions that a tariff reduction would create difficulties for Canadian producers" (L/4027 and Annex 2 thereof). However, it appears that this list of exceptions which was basically established in 1974 includes some items in respect of which imports from GSP beneficiaries have been insignificant or stagnant.

- GSP rates

60. The general rule for GSP rate has always been as follows: the British Preferential Tariff rate or m.f.n. rate reduced by one-third, whichever is the lower. This general formula has been applied to industrial products. As a result, GSP rates of Canada have been reduced in step with the

<sup>1</sup>Canadian tariff Nos. 43901-1, 44533-1, ex 44533-4, 44542-1, 44542-2, 52101-1, 52107-1, 52201-1, 52202-1, ex 52203-1, 52205-1, 52305-1, 52307-1, 53215-1, 53245-1, 53246-1, 53247-1, 53305-1, ex 54108-1, ex 54116-1, 54120-1, 54125-1, ex 54205-1, 54305-1, 54320-1, ex 56105-1, ex 56110-1, 56115-1, 56117-1, 56120-1, 56205-1, 56206-1, 56208-1, 56209-1, 56235-1, 56236-1, 56237-1, 56240-1, ex 56300-1, 56333-1, ex 56510-1, 56611-1, 56805-1, 56821-1, 61100-1, 61105-1, ex 61700-1, ex 93205-3. With respect to 56210-1 GSP rate of 20 per cent, which is higher than two-thirds of the m.f.n. rate (25 per cent) is applied.

implementation of Tokyo Round concessions wherever the GSP rate formula was applicable. At the time of GSP introduction the GSP rate formula did not apply to agricultural products and GSP rates on these products were specified individually. A number of Canadian GSP rates on agricultural/tropical products and industrial products are zero where zero BPT rate has been extended to GSP beneficiaries and where GSP duty-free treatment has been granted on tropical products.

- Duty-free treatment for least-developed countries

61. Since 1983, least-developed countries have been granted duty-free treatment with respect to the products covered by the Canadian GSP scheme (L/4027/Add.17). As of 1 January 1985 thirty-six countries had been designated as being eligible for the least-developed country treatment. However, only eleven of these countries had notified the designated origin certifying bodies, to qualify for the treatment. These are: Afghanistan, Bangladesh, Benin, Botswana, Ethiopia, Haiti, Lesotho, Malawi, Maldives, Nepal and Tanzania. (See also footnote 2 under the sub-section "beneficiary countries and territories").

- Duty-free treatment on handicraft products

62. Under Canadian Tariff Item No. 87500-1, GSP beneficiaries are eligible for duty-free treatment with respect to handicraft goods designated by Order of the Governor in Council (a) to be handicraft products with traditional or artistic characteristics that are typical of the geographical region where produced, and (b) to have acquired their essential characteristics by the handwork of individual craftsmen.

63. Details of the Canadian handicraft scheme were notified in 1976 and 1977 and were circulated as L/4027/Add.5 and 7. Most of the designated handicraft items are covered by the Canadian GSP, but the hand-made products scheme has extended to these items the benefit of duty-free treatment. In 1983, some US\$700,000 of Canadian imports enjoyed duty-free treatment on handicraft products; the major beneficiaries of this treatment were the Philippines (US\$130,000), Mexico (US\$210,000), Peru (US\$210,000) and Bangladesh (US\$140,000).

64. To qualify for the duty-free treatment, certification is required by the government of the country of production or by any other authority in the country of production recognized by the Canadian Minister of National Revenue as competent for that purpose. According to the Government of Canada, considerable scope remains for developing countries to take more advantage of the handicrafts scheme; traders have often failed to submit the required certification on imports of products which could qualify for the duty-free treatment under the scheme.

- GSP limitations

65. Quantitative limitations for imports under GSP (tariff quotas), as used by the EEC and Japan, or the exclusion of individual countries which enjoy GSP in regard to specified products, as used by the United States, have not been used by Canada. However, since 1981 the Canadian Government has been enabled to introduce quota limitations. Paragraph 3.4(2) of the Customs Tariff Act states as follows:

"Where the Minister (of Finance) receives a recommendation from the (Tariff) Board that a tariff rate quota be applied to one or more countries in respect of any goods, the Governor in Council may, on the recommendation of the Minister (of Finance) and the Minister of Industry, Trade and Commerce, by order, apply to such country or countries, as the case may be, a tariff rate quota in respect of such goods."

66. The Canadian Government has also been enabled to withdraw the benefit of the GSP in whole or in part from any country to which it has been extended (Paragraph 3.2(2) of the Customs Tariff Act).

- Rules of origin

67. The Canadian rules of origin are based on the value added criterion only and are non-discriminatory between products. The Canadian origin rules for the purpose of GSP specify that at least 60 per cent of the ex-factory price of the goods be accounted for by the value added in the beneficiary country, or by materials or components originating in that country or in Canada (L/4027, page 2). This means that donor country content can be counted as originating in the beneficiary country. Since August 1984 global cumulative origin has been allowed for GSP beneficiary countries. This means that the value addition to qualify for GSP could be made in two or more GSP beneficiary countries without any regional limitation.

68. In the case of least-developed countries, 40 per cent instead of 60 per cent is the minimum of value added. Cumulative origin is allowed among least-developed countries (L/4027/Add.17).

69. In order to qualify for the Canadian GSP, it is required that the goods be shipped from the producing country on a through bill of lading consigned to a consignee in a specified port in Canada (The Customs Tariff Act, paragraph 3.1(5)(c)).

Modifications in GSP

70. Canadian GSP rates on a number of industrial tariff items are tied to m.f.n. rates, being two-thirds of the m.f.n. rates. Thus, GSP rates on these items are decreasing, in line with decreases in m.f.n. rates resulting from the Tokyo Round, but to the extent of one-third of the decrease in the m.f.n. rates only.

71. In the context of the Tokyo Round, Canada improved its GSP on some sixty-five tropical product items by adding new products to GSP or reducing existing GSP rates, with the understanding that these improvements were not contractual and were considered to be temporary (L/4027/Add.10).

72. The Canadian GSP scheme has been relatively stable during its first ten year's operation with only the following products having been subject to temporary suspension or exclusion.

<u>Tariff No.</u>	<u>Product</u>	<u>Period of suspension</u>
44533-1 or 4	Colour television sets	5.2.77 - 31.12.85
ex61700-1	Rubber footwear except rubber sandals	28.8.75 - 31.12.85
93205-3	Red Lake C (an organic pigment)	11.12.81 - 10.12.87
61815-1	Rubber inner tubes (not for bicycles)	1.5.85 -

Imports from developing countries under GSP and BPT

73. Table 8 shows imports in 1982 from GSP beneficiary developing countries according to tariff treatment. Separate data are provided in the table for GSP beneficiaries enjoying both GSP and British Preferential Tariff (BPT) and those enjoying only GSP. In 1982 Canadian imports from GSP beneficiaries amounted to CAN\$7 billion (=US\$5.6<sup>1</sup> billion), of which m.f.n. duty-free imports accounted for 65.5 per cent<sup>1</sup> and m.f.n. dutiable imports 34.5 per cent. Fifty-seven per cent of m.f.n. dutiable imports were eligible for GSP and BPT. Seventy per cent of GSP/BPT - eligible imports were actually accorded GSP/BPT treatment. Some 40 per cent of GSP/BPT - accorded imports were duty-free.

74. Imports from beneficiaries of both BPT and GSP amounted to CAN\$744 million or 10.7 per cent of imports from all GSP beneficiaries. The beneficiaries of BPT and GSP enjoyed much higher shares of preference-eligible imports and preference-accorded imports in m.f.n. dutiable imports than for other GSP beneficiaries (75 per cent and 62 per cent for BPT/GSP beneficiaries as against 54 per cent and 36 per cent for beneficiaries of GSP only).

75. The Annex to this document covering selected tariff items of export interest to developing countries indicates items subject to BPT and/or GSP. An examination of the Annex would show that in most cases where both BPT and GSP rates are applied, the GSP rates are equal to or lower than the BPT rates, and that the BPT rate is lower than the GSP rate in only two cases (wool fabrics and tobacco for cigar manufacture). The BPT developing countries are enjoying better tariff treatment than non-BPT developing countries with respect to some 30 items covered by BPT but not by GSP, indicated in the Annex. These include the following significant trade items: fresh pepper, sugar, concentrated sugar cane juice, crude vegetable oils, nop., cotton fabrics, man-made fibre fabrics and clothing, knitted garments, knitted fabrics and knitted goods, nop., and rubber boots and shoes.

76. Table 9 shows Canadian imports eligible for and accorded GSP treatment in the period 1975-1982. The shares of GSP-accorded imports both in m.f.n. dutiable imports from GSP beneficiaries and in GSP eligible imports had continued to increase between 1975 and 1979 but these shares tended to stagnate or even decline in 1980-1982.

77. Table 10 shows Canadian imports in 1982 from twenty-two main GSP beneficiaries according to tariff treatment. GSP-accorded imports from the listed countries accounted for 96 per cent of total GSP-accorded imports in the year. The ten largest GSP beneficiaries accounted for 85 per cent of the total.

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<sup>1</sup> Petroleum accounted for more than one half of m.f.n. duty-free imports.

Table 8

Canadian Imports from GSP Beneficiaries in 1982  
(Unit: Canadian \$ million)

	Total <sup>1</sup> (1)	m.f.n. dutiable (2)	GSP/RPT eligible (3)	GSP/BPT accorded (4)	Of which duty-free (5)	(3) (2) %	(4) (2) %	(4) (3) %	(4) (1) %	(5) (4) %
All GSP beneficiaries	6,955 100%	2,398 34.5%	1,364 19.6%	953 13.7%	383 5.5%	57	40	70	14	40
Of which:										
Beneficiaries of BPT and GSP	744 100%	308 41.3%	230 30.9%	192 25.8%	115 15.5%	75	62	84	26	60
Beneficiaries of GSP only	6,211 100%	2,089 33.6%	1,134 18.3%	760 12.2%	268 4.2%	54	36	67	12	35

<sup>1</sup> Including petroleum imports which are largely duty-free.

<sup>2</sup> May be understated due to goods entering warehouses.

Source: Government of Canada.

Table 9  
Canadian Imports Eligible for and Accorded GSP Treatment in 1975-1982  
(Unit: Can\$ million)

	1975	1976	1977	1978	1979	1980	1981	1982
(a) Imports eligible for GSP	371	568	643	812	1,155	1,141	1,395	1,363
(b) Imports accorded GSP treatment	256	414	479	626	901	878	1,015	953
(c) Share of (b) in m.f.n. dutiable imports from GSP beneficiaries %	33	39	43	47	51	40	39	40
(d) Share of (b) in GSP eligible imports %	69	73	75	77	78	77	73	70

Source: Government of Canada.

Table 10

Canadian Imports from Main GSP Beneficiaries in 1982

(Unit: Can\$ million)

	Total	m.f.n. dutiabale	GSP/BPT eligible	GSP/BPT accorded	(3) — (2)	(4) — (3)
	(1)	(2)	(3)	(4)	%	%
Korea, Rep. of	586.3	562.0	308.1	248.0	55	81
Hong Kong	668.8	613.8	382.5	228.0	62	60
Brazil	482.4	223.5	153.4	82.8	69	54
Singapore BPT	163.7	105.6	91.1	72.5	86	80
Malaysia BPT	89.2	75.1	60.7	49.7	81	82
Mexico	998.6	96.5	70.7	43.3	73	61
China	203.7	175.1	51.0	38.4	29	75
India BPT	90.7	59.5	27.7	24.3	47	88
Philippines	82.2	57.4	30.7	22.9	54	75
Bahamas BPT	66.0	21.8	21.4	21.2	99	99
Indonesia	30.3	24.4	20.8	19.7	85	95
Argentina	58.4	30.1	24.0	15.7	80	66
Yugoslavia	24.0	22.9	18.5	12.8	81	70
Israel	39.8	19.2	14.2	12.1	74	85
Romania	30.5	29.0	11.5	9.7	40	84
Thailand	33.8	22.9	11.3	8.0	49	71
Portugal	43.7	32.6	10.7	8.0	33	75
Jamaica BPT	125.2	8.0	7.6	6.7	94	88
Trinidad & Tobago BPT	18.0	4.9	4.7	4.7	98	98
Sri Lanka BPT	16.7	6.3	4.1	4.0	65	97
Pakistan BPT	16.0	14.8	4.4	3.8	30	87
Colombia	92.3	18.4	3.9	2.8	21	72

BPT = Countries enjoying both BPT and GSP.

Source: The Government of Canada

SECTION V: Quantitative restrictions and other trade measures

Import restrictions

78. Quantitative import restrictions maintained by Canada are mainly related to certain agricultural products, footwear (safeguard measures under GATT Article XIX), clothing and textiles (covered by the MFA). Imports of narcotics and endangered species of fauna and flora are also restricted in pursuance of commitments under international agreements. Other products, "although not generally limited as to quantity, are also subject to import control on the grounds of public interest, or for surveillance purposes". This is accomplished either through import licensing measures or through certain other formalities at the port of entry. Details concerning the import licensing systems in Canada can be found in document L/5126/Rev.1.

79. Quantitative restrictions on selected items currently of interest to developing countries have been indicated in the Annex.

Textiles trade, trade flows and restrictive measures

80. Imports by Canada of textiles and clothing have exceeded her exports in these products in every year in the period 1973-1983. The deficit in trade in these two products, taken together, which was US\$845 million in 1973 grew over the subsequent years and reached US\$1,993 million in 1983. The deficit in trade in textiles (1983 - US\$1,124 million) exceeded the deficit in trade in clothing (1983 - US\$859 million) throughout this period.

81. As shown in Table 11, the value of exports of textiles in 1976 was US\$139 million; this rose over the years to reach US\$236 million in 1983. Exports of clothing which were valued in 1973 at US\$90 million declined through most of this period; the trend was however reversed in 1980; after rising to US\$102 million in 1981 and in 1982, these exports declined again, to US\$90 million in 1983.

82. Imports of textiles valued at US\$770 million in 1973 rose to US\$1,360 million in 1983. Developed countries were the main sources for these imports, accounting for 83 per cent of the imports in 1973 and 78 per cent in 1983. Developing countries accounted for 11 per cent of imports in 1973, a share which rose to 17 per cent in 1983.

83. Imports of clothing valued at US\$313 million in 1973 rose to US\$949 million in 1983. In 1973 developing countries accounted for 49 per cent of imports, while developed countries accounted for 44 per cent. By 1983 the share of developing countries had risen to 68 per cent and the share of developed countries declined to 22 per cent.

84. Canada has entered into bilateral restraint agreements under the MFA covering clothing and certain yarn and fabric items with Brazil, China, Czechoslovakia, Hong Kong, Hungary, Indonesia, India, Republic of Korea, Macao, Malaysia, Pakistan, Philippines, Poland, Romania, Singapore, Thailand, Uruguay and Sri Lanka. An agreement has also been entered into with Bulgaria, which is not a party to the MFA.

Safeguard actions

85. Table 12 below lists all Article XIX actions notified by Canada since 1978.

Table 11  
Trade in Textiles and Clothing (Canada)  
(US\$ Million)

	1973	1976	1977	1978	1979	1980	1981	1982	1983
Total Exports	148 90	139 58	142 56	152 52	208 65	262 87	279 102	246 102	236 90
Total Imports	770 313	1018 688	986 569	1048 545	1331 676	1253 653	1382 784	1102 785	1360 959
Imports from Developed Countries	644 83.66	844 82.90	826 83.77	864 82.48	1093 82.11	1027 81.97	1111 80.37	881 79.79	1059 77.88
Imports from Developing Countries	136 43.60	215 31.28	195 34.41	161 29.61	191 28.25	177 27.01	194 24.79	187 23.84	216 22.48
Imports from Developing Countries	85 11.07 155 49.45	124 12.18 427 62.05	118 11.93 338 59.36	133 12.65 349 63.99	162 12.14 415 61.31	166 13.25 419 64.07	198 14.32 533 67.96	163 14.73 534 68.08	231 16.99 656 68.39

Table 12

Article XIX Actions

Product	Measure	Duration	Reference
Footwear (leather and non-leather)	global quota	December 1980 - November 1981	L/4611/Add.31
Non-leather footwear	global quota	December 1981 - November 1985	L/5263 and Add.1-21
Leather footwear	global quota	July 1982 - November 1985	L/5351 and Add.1-22
Yellow onions	import surtax	October 1982 - March 1983	L/5392 and Add.1-7
Fresh, chilled and frozen beef and veal	global quota	January 1985 - December 1985	L/5767

Anti-dumping actions

86. Information concerning anti-dumping actions taken by Canada between April 1984 and September 1984 may be found in the document prepared by the secretariat for the Council review, on 6 November 1984, of developments in the trading system (document C/W/448/Rev.1, page 32). Notifications by Canada of anti-dumping actions taken since 1980 may be found in the following documents: ADP/4/Add.3, ADP/7/Add.9, ADP/10/Add.5, ADP/11/Add.3, ADP/13/Add.1, ADP/14/Add.3, ADP/15/Add.5, ADP/20/Add.3 and ADP/22/Add.6.

Countervailing duty action

87. Information concerning countervailing duty actions taken by Canada between April 1984 and September 1984 may be found in the document prepared by the secretariat for the Council review, on 6 November 1984, of developments in the trading system (document C/4/448/Rev.1, page 32). Notifications by Canada of countervailing duty actions taken since 1980 may be found in the following documents: SCM/4/Add.3, SCM/5/Add.8, SCM/7/Add.2, SCM/15/Add.2, SCM/39/Add.3, SCM/44/Add.7, SCM/48/Add.2, SCM/50/Add.7.

Other non-tariff measures

88. Table 13 lists notifications by other contracting parties in regard to other non-tariff measures maintained by Canada and affecting products of export interest to developing countries. Notifications under the relevant procedures do not however necessarily establish the existence of non-tariff barriers to trade in all these cases. Relevant documents, which have been indicated, may be referred to for further information on these measures.

SECTION VI: Other trade policy aspects

Structural adjustment policies

89. Information in regard to structural adjustment policies and developments in Canada, provided by Canada to the Working Party on Structural Adjustment and Trade Policy, is contained in the document Spec(82)6/Add.6 and Suppl.1. The record of the discussions in the working party on this contribution is contained in the document (Spec(83)29/Add.5).

90. Information in regard to structural adjustment policies and developments in Canada in the textiles sector, provided by Canada to the Sub-Committee on Adjustment appointed by the Textiles Committee, is contained in document COM.TEX/32/Add.3, Suppl.1, and in document COM.TEX/33.

Agricultural policy

91. The following statements in regard to the agricultural policy of Canada have been mainly drawn from the Basic Documentation on agricultural policies prepared in connection with the multilateral trade negotiations and issued in 1974 (MTN/3E/DOC/2/Add.20), and the record of the discussions on trade measures affecting market access and supplies in the Committee on Trade in Agriculture in 1983 (AG/M/3).

Table 13

A. Product-related notifications

CCCN	Description	Notifying country	NTM	Reference
0402-0404	Dairy products -	Australia	Labelling requirements -	AG/DOC/7/CAN/1
0601,0602	Live trees and other plants; bulbs, roots and the like; cuttings and slips -	EEC, Romania USA	Health and Sanitary Regulations; Prohibition of plants surrounded by earth	AG/DOC/4/CAN/1
0806	Apples	Australia	Health and Sanitary regulations -	AG/DOC/4/CAN/1
1602	Preserved meat of the Bovine species or of the swine	Romania	Packing and labelling regulations	AG/DOC/7/CAN/1
1602, ex2104, 2105	Preserved and prepared meat; and sauces, soups	Switzerland	Health and Sanitary regulations; a veterinary certificate is required for all meat-based products	AG/DOC/4/CAN/1
ex2001	Vegetables, prepared or preserved by vinegar or acetic acid with or without sugar	Romania	Packing and labelling regulations -	AG/DOC/7/CAN/1
ex2005	Jams, fruit jellies, marmalades; fruit puree and fruit pastes	Romania	Packing and labelling regulations	AG/DOC/7/CAN/1
2205	Wines	Hungary	Packing and labelling regulations	AG/DOC/7/CAN/1
2209	Spirits, liquors and other spirituous beverages, compound alcoholic preparations	Australia	Packing and labelling requirements of Quebec Provincial Government	AG/DOC/7/CAN/1
2205	Wines	Australia	Monopolies operated by Canadian Provincial Liquor Board	NTM/INV/I/E.3.1
Chapter 22	Alcoholic beverages	EEC	Liquor Boards discrimination	NTM/INV/I.C.5.1
Chapter 85	Electrical equipment	Brazil EEC	Canadian Standards Association for electrical equipment	NTM/INV/III.B.2

Table 13 (cont'd)

B. Other notifications

NTM	Notifying countries	Reference
- Marketing, packing and labelling regulations for agricultural and food industry products	Switzerland, Australia Hungary, Romania, USA	AG/DOC.7/CAN.1
- Imports permitted only in can sizes established by the Canadian Government	USA	NTM/INV.III/B.3
- Government procurement	EEC, USA	NTM/INV.I.C.5
- Shortcomings in procedures regarding anti-dumping actions	EEC	NTM/INV/II.A.4.1
- Non-conformity of tariff classifications to CCCN and need for explanatory notes	Austria, EEC Hungary, Japan, Nordic countries	NTM/INV/II.C.2
- "Made in Canada" Regime	EEC	NTM/INV/II.C.3

#### Agricultural policy aims and objectives

92. "Under the Canadian system of Government, responsibility concerning agriculture is shared between the Federal and Provincial Governments. Federal authority regulates international and inter-provincial trade, while intra-provincial trade is under provincial regulation. The Federal Government's activities have been primarily in the fields of research, price policy, credit and market regulation. Provincial governments are concerned primarily with farm extension work, education and marketing boards. However, there are important areas where joint federal-provincial programmes have been implemented, particularly in the field of agricultural adjustment and rural development.

93. "The broad philosophical approach to agriculture in Canada has been that the Federal Government should provide the economic and legal framework and institutions for the self-development of farmers and the agricultural sector. This implies a minimum of direct government intervention, production as related to markets, and programmes designed to reinforce market requirements. The dependence of Canadian agriculture on international markets and the policy induced distortions to which these markets are subject, requires a considerable emphasis on stabilization measures in Canada's agricultural policy.

94. "Viewed in terms of the development of the agricultural sector and those most directly dependent on it, the objectives of Canadian agricultural policy are:

- (a) the expansion of agricultural production, including processing industries, based on competitive advantage and commensurate with the development of domestic and export markets;
- (b) the promotion of greater stability, to foster competitive advantage through continuity of supply, to facilitate planning and reducing the burdens of uncertainty in financing, and for the purpose of farm family income maintenance;
- (c) facilitating adjustment to economic and social change to assist farm and rural families to attain their income aspiration, by encouraging the expansion of small farm businesses into commercially viable operations and contributing to the development of rural communities.

95. "In terms of food policy the aims and objectives include: (i) an adequate and dependable supply of quality food for a growing domestic population enjoying a rising standard of living, (ii) prices which are reasonable for consumers, in not requiring an undue proportion of income to secure a sufficient and balanced diet, and for producers, in providing a return adequate to encourage production of food items which can be economically and efficiently produced in Canada, and (iii) a continuing supply and increasing production of those food products in which Canada has a competitive advantage for export to commercial markets, and also for a contribution to international food aid programs.

#### Policies affecting agricultural trade

96. "Given its position as a major exporter and importer of agricultural products, Canada has been a strong supporter of international efforts to foster the expansion and ever greater liberalization of world trade. This commitment has been exemplified by Canada's long standing support of the GATT and its participation in many international commodity arrangements

....

A. Import Measures

I. Tariffs

97. "The primary instrument of protection for Canadian agriculture is the tariff<sup>1</sup> ....

II. Import licensing

Canadian Wheat Board

98. "Under the Canadian Wheat Board Act all imports of wheat, wheat flour, oats and barley require import permits from the Canadian Wheat Board.

Export and Import Permits Act

99. "Agricultural imports may be placed on the Import Control List to inter alia "implement any action taken under the Agricultural Stabilization Act, the Agricultural Products Cooperative Marketing, the Agricultural Products Board Act or the Canadian Dairy Commission Act to support the price of the article or that has the effect of supporting the price of the article. The Government recently amended the Export and Import Permits Act to provide enabling authority for the use of import permit controls to support national supply management programs.

100. "Historically, import licensing requirements have been limited to certain dairy products. At the present time, the following dairy products are on the Import Control List: butter, butterfat in any form, cheese of all types, evaporated and condensed milks, dry skim milk, dry whole milk, casein and caseinates, dry whey and animal feeds containing more than 40 per cent of non-fat milk solids. In actual practice permits are issued freely for natural cheese other than Cheddar and Colby for direct consumption, traditionally imports of processed cheese, and casein for industrial use. Import permits have been issued for butter when domestic butter production was inadequate to meet domestic requirements ....

III. Emergency Action (Surtax)

101. "Authority is provided in the Customs Tariff Act to levy a surtax on imports which are entering Canada under "such conditions as to cause or threaten to cause serious injury to Canadian producers of like or directly competitive products". The use of this action is limited to 180 days unless extended by Parliament. The enabling legislation was passed in 1969 ....

B. Export Measures

I. Export Aids

102. "Export subsidies have not been used to any significant extent in Canada. Export subsidies have been used from time to time for selected dairy products, primarily skim milk powder. However, dairy export

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<sup>1</sup>Information on Canada's tariff system and on tariff treatment of agricultural products has been given in Section II above.

subsidies are financed by a "holdback" on direct subsidy payments to manufacturing milk producers. Thus, any increase in dairy export subsidies is reflected in lower direct subsidy payments to producers ...."

(MTN/3E/DOC/2/Add.20).

103. The Credit Grain Sales Programme, administered by the Canadian Wheat Board, operates to ensure that the Board has the flexibility to provide credits when necessary to maintain a traditional market or gain long-term access to a new market. In such circumstances, credit is extended at commercial rates of interest for periods of three years or less and is guaranteed by the Federal Government.

## II. Export Controls

104. "Agricultural exports may be subject to export licensing under the enabling provisions of the Export and Import Permit Act in order to inter alia "ensure that there is an adequate supply and distribution of such articles in Canada for defence or other needs". A recent amendment to the Export and Permits Act also provides enabling authority for the use of export permit controls "to ensure that action taken to promote the further processing of a natural resource that is produced in Canada is not rendered ineffective by reason of the unrestricted exportation of such a natural resource".

(MTN/3E/DOC/2/Add.20).

105. "Due to a rather large production potential and a relatively small population, Canadian agriculture had a particular dependence on international trade. Exports in 1982 amounted to 9.5 billion dollars and imports to 5 billion dollars. The United States constituted the primary source of agricultural imports, the bulk of these was accounted for by fruit and vegetables. Other sources of imports were Western Europe and developing countries. Over the years, the destination of Canadian exports had changed dramatically, as the historical dependence on Western Europe as the major outlet had diminished. At present, shipments to the United States, the Community and Japan accounted for 40 to 45 per cent of Canadian exports. The emergence of the USSR and China as major markets, now absorbing about one third of Canadian Agricultural exports, represented a dramatic change in trade flows. Exports to developing countries accounted for less than one-fifth of total exports.

106. "Historically, Canada had protected domestic production through tariffs, of which 99 per cent had been bound through various GATT negotiations. For agricultural products, the average trade weighted ad valorem equivalent was actually about 2 per cent. However, a number of non-tariff measures were applied. Some years ago, the dairy regime was changed from a complete reliance on a price system based on deficiency payment, to a system based on supply management, which had more recently also been applied in the poultry sector. For products under supply management, each individual farm in Canada was subject to individual production quotas. A national agency embracing Provincial Marketing Boards, established a national production target which was divided into provincial shares, based on some historical average, and allocations were made to the individual farm. The industry was then primarily controlled through the supply management system, and accompanying import restrictions would be applied in conformity with GATT Article XI .... Canada had rationalized, notified and explained its dairy and poultry import regime as being in conformity by and large with the intent of Article XI. The only

other major non-tariff import measure applied related primarily to contingency measures under the Canadian Meat Import Act comparable to the United States Meat Import Law. In the context of a North American livestock economy - it became impossible to remain the only unrestricted major beef import market. Fortunately, so far it had not been necessary to impose import quotas. However, this year Canada was forced to limit its exports to the United States, under a voluntary restraint agreement primarily because the United States Meat Import Law was too restrictive ....".

(AG/M/3).

107. In December 1984 Canada announced the establishment of a global import quota of 66,500 tons (product weight) for beef for 1985. This level is equivalent to their GATT minimum access commitment for the year. The quota is allocated to supplying countries on the basis of their share of imports into Canada during the period 1979-1983.

#### Participation in international commodity agreements

108. Canada is a member of the international commodity agreements on coffee, rubber, wheat, sugar and tin. Canada is also a member of the international arrangements on meat. Canada has also signed and ratified the Agreement on the Common Fund for Commodities.

#### Regional trade agreements

109. The Government of Canada and the United States concluded, on 16 January 1965, an agreement providing for duty-free treatment for trade in automotive products between the two countries. The text of the United States/Canada Automotive Products Agreement was circulated in document L/2339. The Government of Canada however unilaterally extended duty-free treatment to imports of the automotive products covered by the Agreement from all countries entitled to the British Preferential Tariff (BPT) or the most-favoured-nation (MFN) tariff.

#### SECTION VII: Trade with least-developed countries

110. Table 14 illustrates the evolution of Canada's trade with the least developed countries between 1975 and 1983 while Table 15 shows the composition of Canada's imports from these countries and their tariff treatment. Canada has regular export and import trade with at least nineteen out of the thirty-six least-developed countries recognized in the UN system. Total exports to these countries amounted in 1975 to about US\$149 million while imports from them amounted to US\$231 million, out of which US\$193 million represented imports of petroleum products from a single country. While exports had increased to US\$194 million by 1980, imports had declined to US\$59 million, resulting in a large trade surplus in favour of Canada. The volume of trade between Canada and the least-developed countries has declined since then, but while exports have declined by 8.2 per cent from US\$194 million in 1980 to US\$178 million in 1983, imports have declined by 27 per cent over the same period from US\$59 million in 1980 to US\$43 million in 1983, thus widening further the trade gap in favour of Canada. Between 1980 and 1983 Canada's exports to the least developed countries have represented an average of about 0.25 per cent of its total exports while imports from the least-developed countries represented on the average 0.1 per cent of Canada's total imports.

Table 14  
Canada's Trade with the Least-Developed Countries

Country	1975		1980		1981		1982		1983	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
Afghanistan	761	115	295	157	143	156	163	371	54	170
Bangladesh	84,246	4,945	63,849	9,896	47,275	6,273	97,828	3,952	92,940	8,491
Benin	2,020	51	2,196	3	2,144	14	739	17	566	11
Bhutan	-	-	-	-	-	-	-	-	-	-
Botswana	-	-	-	-	-	-	-	-	-	-
Burkina Faso	-	-	-	-	-	-	-	-	-	-
Burundi	-	-	-	-	-	-	-	-	-	-
Cape Verde Islands	-	-	-	-	-	-	-	-	-	-
Central African Republic	-	-	-	-	-	-	-	-	-	-
Chad	-	-	-	-	-	-	-	-	-	-
Comoros	10,307	39	7,238	2,500	10,749	562	6,780	456	10,471	481
Democratic People's Republic of Yemen	6,889	193,333	26,811	44	1,094	95	1,791	108	1,649	53
Djibouti	-	-	-	-	-	-	-	-	-	-
Equatorial Guinea	-	-	-	-	-	-	-	-	-	-
Ethiopia	2,380	896	16,811	773	31,236	1,379	11,450	1,978	23,421	1,662
Gambia	164	5	177	8	36	-	126	25	68	29
Guinea	137	14,845	1,679	34,154	613	16,991	718	19,256	1,073	15,656
Guinea Bissau	1,322	9	2,238	4	430	-	1,537	-	362	12
Haiti	12,190	3,522	22,952	5,628	19,258	6,285	10,184	6,955	12,365	8,724
Lao People's Dem. Republic	-	-	-	-	-	-	-	-	-	-
Lesotho	1,362	243	17,999	407	1,094	561	1,370	827	865	5,160
Malawi	-	-	-	-	-	-	-	-	-	-
Maldives	-	-	-	-	-	-	-	-	-	-
Mali	-	-	-	-	-	-	-	-	-	-
Nepal	-	-	-	-	-	-	-	-	984	91
Niger	-	-	-	-	-	-	-	-	-	-
Rwanda	145	3	392	3	372	21	915	7	199	3
S. Samoa	-	-	-	-	-	-	-	-	-	-
Sao Tome & Principe	410	3,706	747	23	993	-	294	-	728	65
Sierra Leone	1,403	55	1,742	5	2,999	189	3,079	297	667	-
Somalia	4,332	177	6,869	890	8,992	370	11,613	674	13,224	561
Sudan	372	18	1,134	2	683	-	1,382	78	4,068	2
Togo	230	2,603	156	848	410	390	394	716	2,507	270
Uganda	20,338	6,788	20,192	4,084	15,004	4,256	18,204	2,178	11,378	1,780
United Republic of Tanzania	-	-	144	-	212	-	1,191	-	449	-
Yemen Arab Republic	-	-	-	-	-	-	-	-	-	-
TOTAL TRADE	149	231	194	59	143	37	179	38	178	43
Canada/LDC (US\$ million)	32,300	33,954	64,935	59,976	69,922	65,797	68,393	54,824	73,797	61,325
TOTAL TRADE OF CANADA (US\$ million)	0.5	0.7	0.3	0.1	0.2	0.1	0.3	0.1	0.2	0.1
% Share of LDC in Total Trade										

Source: UN Commodity Trade statistics

Table 15

Canada's Main Imports from the Least-Developed Countries and their Tariff Treatment - 1982

Canadian Tariff Classification	Product Description	Tariff Treatment	Total Imports from LDCs (000'US\$)	Main LDC Suppliers
0250501	Coffee extracts and substitutes	GSP/LDC Free	15	TZA
0260001	Coffee roasted or ground	GSP/LDC Free	166	ETH
0270001	Green Coffee	MIN Free	4,037	ETH,HTI,UGA,TZA
0280501	Tea	MIN Free	1,609	MWI,HTI,TZA
0480001	Peas and lentils, whole or split	MIN Free	421	MWI
0692101	Feed for animals and poultry	MIN 5.0%	14	ETH
0711101	Clover seed-including alfalfa	MIN Free	38	AFT
0900001	Fruit, fresh in their natural state	MIN Free	31	HTI
0970001	Plantains, pineapples, guavas, mangoes, and pomegranates	MIN Free	30	HTI
0991501	Raisins	MIN Free	178	ARG
1090001	Nuts of all kinds, whether or not shelled, graded, dried, cut, chopped or sliced	MIN Free	83	ARG
1270001	Crustaceans, fresh, nop, prepared or preserved nop	MIN 8.0%	8	HTI
1561501	Rum nop	GSP/LDC Free	44	HTI
2540201	Amber and arabic gum	MIN Free	64	SDN
2640001	Natural essential oils	MIN Free	18	HTI
2660501	Tung or china wood oil	MIN Free	47	MWI
2970601	Piezoelectric quartz	GSP/LDC Free	6	HTI
3291001	Bauxite	MIN Free	19,238	GIN
3480001	Copper scrap, matte and blister, pigs, block ingots; cathode plates of electrolytic copper etc.	MIN Free	44	HTI
3484001	Scrap of copper and brass or alloy containing 50% or more by weight of copper	MIN 2.0% Temp Free	181	HTI
3590501	Scrap of gold or silver, and metal alloys thereof	MIN Free	77	TCO
3730101	Wrought iron or steel etc.	MIN Free	27	HTI
4092201	Rinder twine, wire and twine for farm produce	MIN Free	20	TZA
4110001	Machines and parts for sawing lumber or saw mills etc.			
4403401	Trawls, trawling spoons, fly hooks, sinkers, baits			
4452401	Electric apparatus and complete parts thereof	LDC Free	103	HTI
4453301	Radio and Television apparatus and parts thereof	LDC Free	49	HTI
5060001	Manufactures of wood nop	LDC Free	32	HTI,TZA
5110001	Golf clubs and finished parts thereof, racquet frames, baseball bats, balls for sports etc.	LDC Free	1,087	HTI
5110501	Cricket bats, balls, gloves etc.	GSP/LDC Free	6	HTI
5190101	Furniture, of wood or other materials etc.	LDC Free	7	HTI

Table 15 (cont'd)

Canadian Tariff Classification	Product Description	Tariff Treatment	Total Imports from LDCs (000'US\$)	Main LDC Suppliers
5230501	Clothing and other articles of woven fabrics wholly of cotton; all textile manufactures wholly of cotton nop	GSP/LDC Free	467	HTI, APT
5400501	Vegetable fibres (excl. cotton) not coloured but dried; oakum of flax, hemp and jute, coir and coir yarn	MIN Free	189	BTD, IZA
5411601	Yarns and rovings, threads, cord or twine of jute other than singles	GSP/LDC Free	34	BTD
5421001	Woven fabrics wholly of jute	MIN Free	3,476	BTD
5430501	Woven fabric articles max. 50 silk & 50% MF	MIN 27.5%	16	AFG, HTI
5431501	Woven fabric articles and all textile manufactures wholly of jute, nop	GSP/LDC Free	8	BTD
5590501	Rags and waste; used textile manufacture unused yarn etc. for manufacturing wiping rages	MIN Free	79	BTD
5630001	Clothing and woven fabric articles and all manufactures of minimum 50% MF or glass fibres	MIN 25%	76	AFG, HTI
5680501	Knitted garments, knitted fabrics and knitted goods, nop	MIN 25%	66	AFG, HTI
5683001	Gloves and mittens, nop	LDC Free	103	HTI
5691501	Hats, nop	LDC Free	22	HTI
5700503	Carpeting, rugs, mats and matting of jute	GSP/LDC Free	31	BTD
5720001	Oriental and imitation oriental rugs or carpets and carpeting etc.	LDC Free	6	AFG, ETH
5721001	Oriental rugs or carpets with pile hooked or knotted by hand	GSP/LDC Free	9	AFG, BTD
5780001	Regalia, badges, belts of all kinds	LDC Free	36	HTI
6090001	Belting of leather	LDC Free	9	HTI
6130001	Manufactures of leather, nop	LDC Free	29	HTI
6220001	Trunks, valises, hat boxes, carpet bags, tool bags and baskets of all kinds nop	LDC Free	18	HTI
6220003	Baskets of interwoven vegetable fibres	LDC Free	14	HTI
6230001	Musical instrument cases, fancy cases or boxes of all kinds etc.	LDC Free	171	HTI
6230003	Purses, reticules, parts of the foregoing	LDC Free	63	AFG, HTI
6952001	Original paintings, drawings, engravings etc.	MIN Free	12	HTI, IZA
7110007	Prepared foods and beverages for human consumption, ingredients for animal, poultry feeds	LDC Free	15	HTI
7750001	Handicraft goods of countris entitled to GSP	MFN 82 Free	52	BTD, HTI
9500201	Parts and accessories etc. tyres and tubes for automobiles, under special entry prescribed by Minister	LDC Free	2,457	HTI

111. In 1983 the most important markets for Canada's exports to the least-developed countries were Bangladesh, Ethiopia, Haiti, Sudan, Tanzania, Comores, Togo, Uganda, Democratic Republic of Yemen and Guinea while the most important sources of imports were Guinea, Haiti, Bangladesh, Tanzania and Ethiopia. Table 15 shows that Canada's imports from the least-developed countries cover a large number of products ranging from food items, agricultural and industrial raw materials to manufactured items. Coffee and tea constituted the most important food imports from the least-developed countries in 1982. Others were peas, fresh fruit, raisins, nuts, fish including crustaceans, and alcoholic beverages; bauxite was not only the most important industrial raw material imported from the least-developed countries but also the most important single item imported from them. Other imported raw materials were natural gums, essential oils and metal scraps, while textile products constituted the most important manufactured imports.

#### Tariff and non-tariff measures affecting trade

112. Canada offers special tariff preferences in favour of the least-developed countries within its Generalized System of Preferences by virtue of which most exports of the least-developed countries have duty-free access to the Canadian market. As Table 15 shows on the basis of 1982 trade, only a few agricultural exports of the least-developed countries, namely animal and poultry feed and crustaceans, were subject to MFN duties. The other products subject to m.f.n. duties were mostly textile manufactures. There are no quantitative restrictions or other non-tariff measures affecting exports least-developing countries entering the Canadian market.