

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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## UNITED STATES - MEASURES AFFECTING THE IMPORTATION AND INTERNAL SALE OF TOBACCO

### Request for consultations under Article XXIII:1 by Canada

The following communication, dated 22 September 1993, sent by the Permanent Mission of Canada to the Office of the United States Trade Representative in Geneva, is circulated in accordance with paragraph C.3 of the CONTRACTING PARTIES' 1989 Decision on Improvements to the GATT Dispute Settlement Rules and Procedures (BISD 36S/62).

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I am writing to you to request that consultations be held between our two governments for the purposes of Article XXIII:1 of the General Agreement on Tariffs and Trade (GATT) on the subject of the Agricultural Reconciliation Act of 1993.

On 10 August 1993, President Clinton signed the Agricultural Reconciliation Act of 1993 which will adversely affect Canadian tobacco export interests. This Act imposes heavy penalties on United States cigarette manufacturers who source more than 25 per cent of their annual tobacco requirements for manufacturing cigarettes from non-United States production. The Act also includes three assessments on raw tobacco imports, one of which imposes a fee on imports of flue-cured and burley tobacco to fund the domestic price support programme. The other assessments are an inspection fee to be levied on import tobacco and a marketing assessment fee to be paid by importers of flue-cured and burley tobacco.

The Agricultural Reconciliation Act of 1993 will severely curtail and possibly eliminate Canadian exports of unmanufactured tobacco to the United States. As well, this Act will serve to reduce the exports of other countries to the United States resulting in a reduction of tobacco prices around the world. This will have a profound impact on all our producers.

In our view, this Act is not consistent with United States GATT obligations, and in particular, but not limited to, the provisions of Articles III:1, III:2, III:4 and III:5. In addition, Canada is concerned that the extension of "no-cost" fees to imports may violate Article II. Depending on the manner in which the mixing regulations are implemented, this legislation also could be inconsistent with Article XI:1. Lastly, implementation of this legislation will nullify or impair benefits that Canada could have reasonably expected when the United States tariff on unmanufactured tobacco was bound.

In light of these concerns and the great detrimental impact the implementation of this United States legislation will have on all our tobacco producers, Canada requests that consultation be held with the United States with the purpose of satisfying the requirements of Article XXIII:1.

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\*This document cancels and replaces document DS46/1, issued on 27 September 1993.