

GENERAL AGREEMENT ON TARIFFS AND TRADE

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MULTILATERAL TRADE NEGOTIATIONS, SOME INITIAL CANADIAN VIEWS

The following communication, dated 8 July 1985, has been received from the delegation of Canada, with the request that it be circulated to all contracting parties.

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1. Canada regards the new Multilateral Trade Negotiations (MTN) as both a challenge and an opportunity to find forward-looking solutions to the current and emerging problems facing the international trading community. Canada is approaching the MTN with a sense of urgency and importance to fight protectionist threats, to enhance the rule of law in international trade and to restore the momentum towards further trade liberalization.
 2. With an economy highly dependent on international trade, Canada attaches a high priority to a further opening of national markets to international competition and to dealing with market access and trade-related issues which have adverse impact on the prospects for new productive investments in internationally competitive industries. To the extent Canada is able to expand access to international markets it will be prepared to make its contribution to enhancing a more efficient international allocation of resources and to facilitate the necessary structural adjustments.
 3. The MTN will provide an opportunity to enhance Canada's economic co-operation and trading relationships with developing countries within the multilateral framework. Canada is convinced that the new MTN can significantly advance the trade and economic development interests of developing countries. The benefits which the more industrially advanced developing countries derive from open world markets are undeniable as are the risks that these channels may be gradually closed.
 4. The negotiations should cover products in all sectors, the full array of non-tariff and tariff measures as well as trade in service issues. A major focus should be on the strengthening of the institutional framework of the multilateral trading system and on the ways and means of securing the value of negotiated market access conditions. At this stage, Canada considers that no sector nor issue should be excluded from the scope of the negotiations.
 5. Canada wants to underline the importance it attaches to the Work Programme undertaken by the Contracting Parties to reflect the priorities

established by the Ministerial Declaration of 1982. In Canada's view, however, various elements of this Work Programme are unlikely to be brought to a satisfactory conclusion outside of the context of the new Round of negotiations. Bringing the Work Programme to a satisfactory conclusion should thus be a high priority of the new negotiations.

6. The following paragraphs give a general indication of Canada's initial approach and attitudes on the main questions which, in its view, should be included on the MTN agenda and set out Canada's preliminary overall objectives and priorities in the negotiations. These objectives and priorities primarily reflect a desire to: halt protectionism and seek further expansion of access to markets; develop new rules of conduct for agricultural trade; seek tighter disciplines on the use of subsidies and on contingency protection measures; develop a framework for trade in services; and strengthen the effectiveness of the rule of law and non-discrimination governing international trade.

A. Halting Protectionism and Improving Market Access

7. The maintenance of open trading channels and the further improvements of access to export markets are vital to Canada. They are also essential elements for the intensification and strengthening of trading relationships within the multilateral trading system. Canada urges further improvement in market access conditions on as broad a basis as possible in terms of both products and markets, including in respect of customs duties. This should include the prospect of total tariff elimination in particular product areas.

8. This objective is central to restoring the confidence of the business communities in the determination and capacity of contracting parties to halt erosion of the open trading system, to reduce the risks of accelerating protectionism and to restore trade liberalization momentum. A broadly-based market opening effort would offer the prospect of significantly advancing the economic development and trade interests of both developing and developed countries.

9. Improved market access conditions in respect of agricultural and food products, fisheries, industrial resource (non-ferrous metals and forest products) and energy-based (petrochemicals) industries and related equipment and services, a range of advanced-technology and transportation equipment as well as trade in some services will be of particular Canadian interest. These sectors are still facing important barriers or trade-distorting measures in Canada's major markets, for example in the form of tariffs (often still relatively high or with escalation), quantitative restrictions, restrictive government procurement practices or subsidies of various sorts.

10. A major element of market opening measures should concern the extension of the existing GATT Agreement on Government Procurement to include entities which are the main purchasers of products not now subject

to international competition such as urban transit, telecommunications power-generating and transmission equipment, as well as services contracts. Canada would be interested in exploring the possibility of an early conclusion of the ongoing negotiations aimed at substantially enlarging the coverage of the Government Procurement Agreement.

11. Canada will be prepared to join with others in an examination of possible co-ordinated actions aimed at limiting special measures of protection which have been introduced in sectors facing particular international competitive difficulties.

B. Developing New Rules for Agricultural Trade

12. In the area of agriculture, Canada will seek to bring substantially all this large area of international trade more effectively under the discipline of contractual rights and obligations and to obtain an improved balance within the framework governing agricultural trade as between all major participants. Canada will be working for the development of new, fair, predictable and effective rules on export and domestic subsidies as well as on measures such as variable levies, quantitative restrictions and export restraints.

13. These new trading rules should apply equally to all major importers and exporters and relate to third country export markets as well as import markets. They should, of course, take account of production and trade characteristics in agriculture, including the desirability of limiting the overall costs of various support programs for national treasuries. The new rules should be accompanied by the acceptance of a degree of tariff bindings more comparable to what has been achieved in respect of industrial products.

C. Tighter Discipline on Contingency Protection Measures and Subsidies

14. The benefits of trade liberalization and of tariff bindings achieved in previous negotiations risk being seriously undermined by the uncertainties associated with the use of various contingency protection measures, concerning both fair and unfair trade. There is a need to enhance the predictability of access to major world markets for producers who have sought to adjust to the substantial reduction in their protection, brought about by previous negotiations, by introducing major changes to their production facilities so as to achieve the benefits of greater specialization and economies of scale. More secure and predictable access to markets is a crucial element in order to create a reasonable degree of confidence in the business community to justify major new investments oriented to international markets.

15. The new MTN should seek to develop an integrated international understanding to bring greater discipline to the use of all forms of safeguards actions, whether emergency import relief action under GATT Article XIX, or other measures such as voluntary export restraints and

orderly marketing arrangements. This should include the question of how safeguards measures could possibly relate to undertakings on structural adjustment by the protected industries.

16. There must also be a review of existing rules concerning subsidies and countervailing measures with an aim to increase the discipline on those which are harmful to the trade interests of contracting parties, subsidized export credits and subsidies affecting trade in products, as well as an attempt to broaden international the definition and measurement of subsidies and to improve the measures and conditions governing recourse to countervailing

D. A Framework for Trade in Services

17. Given the increasing significance of services in international trade, Canada attaches considerable importance to the development of a new trading framework to provide a mutually beneficial set of rules and principles to govern trade relations in services, - much as the GATT has done over the last decades in respect of trade in goods for the benefit of all contracting parties. This is an area where the international trading community has an opportunity to influence the elaboration of the basic rules of the road before trade in services either becomes a subject of confrontation in bilateral trade relations or the ground rules are in effect determined unilaterally by national legislation and practice.

18. The development of a new trading framework for services should, to the extent feasible and appropriate, explore the possible application of such basic principles as non-discrimination, national treatment and transparency in national regulations. The eventual status of a new instrument to govern trade in services should not be prejudged at this time.

19. Canada does not have any firm view, at this stage, as to whether the development of a new international framework for trade in services should eventually be of a comprehensive nature, whether its scope and coverage should be applicable to a selected number of sectors or whether it should be applied differently to particular sectors. Canada is flexible as to the most appropriate and practical arrangements for eventually conducting negotiations in respect of trade in services. It can accept the notion that negotiations on trade in services be conducted in parallel with negotiations on trade in goods, provided they are conducive to achieving a reasonable mutual balance of overall benefits in the global MTN context, they can be properly coordinated and the negotiation process can be appropriately serviced by the GATT secretariat.

E. Strengthening the Effectiveness of the Rule of Law and Non-discrimination

20. The cumulative impact of the proliferation of exceptions and deviations to the basic GATT rules over the years, and the stresses created

by the strength and persistence of protectionist forces in major GATT countries are seriously undermining the credibility of the GATT itself. There are strong perceptions that the GATT is not equally respected by all its members and that it is becoming a constraint to, rather than a powerful instrument for, trade liberalization. There are also concerns that the inherent balance of rights and obligations under the GATT is being seriously altered and that it is running a serious risk of gradually becoming a less relevant instrument for dealing with new issues facing the international trading community and for managing trade relations.

21. This credibility challenge is of practical and fundamental importance for Canada because it affects the principal instrument available to Canada to preserve the achievement of past trade liberalization efforts and to manage Canada's trade relations with most other countries. It is also a collective challenge which should be met in the new MTN by seriously reviewing such fundamental questions as non-discrimination, national treatment, security of market access and dispute settlement. This should also include scope for greater Ministerial participation in and direction of GATT affairs.

F. Conduct and Management of the Negotiations

22. There are a number of considerations relating to the conduct and management of the negotiations which will need to be addressed, once the objectives of the various countries which have an interest in the negotiations are known. At this stage, it would seem appropriate to comment on a distinction which has often been made in discussions about the GATT Work Program between the so-called "traditional" issues and the "new" issues. It is not clear how useful this distinction is in practice, since the relevance of those issues for purposes of trade negotiations is how they impact on international trade flows. For instance, trade action in some of the so-called new areas such as patent infringement can have a direct prohibitive effect on the flow of goods thus placing such measures in the activity of "traditional" issues. Clearly a new round should seek to deal with all the key issues of interest to the trading countries which are expected to make a contribution to the success of the negotiations.

23. One important consideration concerns the relationship between trade and monetary questions, in particular the impact of exchange rate developments on trade flows. Canada supports the deployment of sustained and intensified efforts to address the problems of the international monetary system, but the improvement in the functioning of the monetary system should not be a pre-condition for the trade negotiations nor should this be pursued within the GATT.

24. The trade negotiations should be conducted on the basis of overall reciprocity of mutual advantage. An appropriate contribution to the resolution of trade problems should be made by all participants. This contribution should be commensurate with the benefits which participants obtain from open international markets, with their economic strengths and

with their interest in achieving a strengthened and more effective multilateral trading system. There should also be appropriate arrangements to allow countries having observer status in GATT to participate in the MTN if they are prepared to contribute to the achievement of the overall objectives of the negotiations.

25. Finally, Canada recognizes the importance to adhere effectively to existing commitments to ensure that contracting parties act in full conformity with GATT rules and principles. The capacity to resist protectionist pressures will clearly be a major factor in creating a favourable environment to enter into the new Round. At the same time, moving diligently to launch the multilateral trade negotiations remains the most effective way of improving the prospect for contracting parties successfully fighting back protectionism.