

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

MTN/3C/W/3

15 October 1974

Special Distribution

Multilateral Trade Negotiations

Original: English

GROUP 3(c) - SECTOR APPROACH

Statement by the Delegation of Canada

We are pleased that today this Group is initiating work in a major area of the negotiations set out in the Tokyo Declaration. Throughout the preparatory phase of these negotiations, Canada has urged that the concept of the sector approach be seriously and systematically considered.

Interest in the sector approach to trade negotiations was stimulated by the former Director-General of the GATT who noted in a speech in 1966 that in the Kennedy Round it had become apparent that "There are certain sectors of industrial production - characterized by modern equipment, high technology and large scale production, and by the international character of their operations and markets - where there are evident gains to all in arriving within a defined period at free trade".

At the 1967 ministerial session of the CONTRACTING PARTIES, which initiated the preparatory work for the Tokyo Round, Canada pointed out the potential value of the sector approach as a means of liberalizing trade. In June 1973, we submitted a note to the members of the Committee on Trade in Industrial Products (COM.IND/W/109) outlining the concept of sector negotiations, reviewing briefly the historical developments and identifying a number of negotiating considerations. This submission was intended as a background paper to further discussion.

The Tokyo Declaration calls for joint endeavours in the negotiation to "achieve, by appropriate methods, an overall balance of advantage at the highest possible level". We see the sector approach as an important means of contributing to this objective. Our aim would be to reduce substantially or possibly eliminate all major barriers to international trade within selected sectors. This approach should allow us to go as far as possible down the road of liberalization in particular sectors and should not be used as a technique for freezing the status quo in difficult areas. We are looking for maximum possible reduction of barriers.

Progress in this area of the negotiation should contribute to a better and more efficient international allocation of resources and division of labour. It would, in our view, also be a major step in the direction of more balanced, stable and lasting relations between trading partners. Progress would encourage decisions on locating processing facilities to be based on considerations of international economic competitiveness. This, of course, means that trade liberalization within the selected sectors would be on a non-discriminatory basis. I might note that one of the side effects of removing or greatly reducing the escalation of tariffs in relation to the degree of processing, would be a greater tariff harmonization within these sectors.

I would now like to turn to the immediate question before this Group, which is how to carry forward our work on the sector approach. My delegation strongly believes that we should avoid getting too involved in philosophical considerations. The report to the Tokyo Ministerial meeting by the Preparatory Committee agreed that the sector approach might be used in "appropriate cases".

The most effective way to get down to specifics would be to determine what would be involved in sector negotiations and to identify appropriate cases for study.

We would therefore suggest that the Group might organize its discussion in the following manner:

First, we should examine a possible set of criteria for selecting potential candidates for sector negotiations. Document COM.IND/W/109, alludes to some of these criteria. My delegation will be prepared to expand on these criteria¹ in the course of these meetings.

Second, these criteria might be used to identify a number of sectors that could be examined on an illustrative basis, and without commitment. This would identify the various definitional problems associated with the sector approach. This basically involves consideration of which stages of processing or fabrication should be included in the sector. The objective would of course be to define meaningful and manageable sectors. The most effective and practical way to do this would be to take up specific cases, and examine them. We will be proposing at this meeting that the Group authorize the secretariat to undertake one or two pilot studies for examination at a subsequent meeting.

Third, we should consider at this meeting what kind of common basic factual information the Group would need to carry out its task. In this regard it is, of course, significant that this is the first meeting of the sector Group and there has been no work on sectors as such so far in the preparatory work for the Tokyo Round. However, I would not wish to overestimate this element. I am fully aware of the considerable information available from the GATT Tariff Study

¹Some possible criteria are indicated in the attachment.

and the non-tariff measures inventory. The question is how to build upon and how to use this existing data. In our view, the basic data that will be needed for any particular sector that is eventually selected for negotiations would include data with respect to production, consumption, imports, exports, tariffs (including escalation) and non-tariff measures as they affect each of the products concerned, at each stage of processing. This is the kind of data that we think should be brought together by the secretariat in the "pilot studies" which I mentioned earlier.

These, Mr. Chairman, are our proposals for carrying forward our work in this Group. We will be pleased to elaborate further on them in the course of the meeting. We look forward to hearing the views of other delegations on how the work should proceed in this important area.

Attachment

Possible basic criteria for selecting potential candidates for sector negotiations

- the sector should be significant in terms of international trade;
- the sector should be broad enough to be meaningful in trade terms;
- the sector should be one in which economies of scale and intensive capital investment are important factors in the development of internationally competitive industries;
- the sector chosen should be one in which trade barriers, particularly tariff escalation and non-tariff measures, are a major constraint to the realization of internationally competitive industries;
- the sector should lend itself to substantial reduction or elimination of all barriers to trade.