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MTN/TAR/W/18

25 March 1976

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# GENERAL AGREEMENT ON TARIFFS AND TRADE

Multilateral Trade Negotiations

Original: English

Group "Tariffs"

STATEMENT MADE BY THE CANADIAN DELEGATION AT  
THE GROUP "TARIFFS" MEETING, MARCH 1976

At this stage I would like to restate, indeed to reiterate, proposals I made in the first meeting of this Group and which are reported in MTN/TAR/2 about possible hypotheses for tariff cutting, and to comment on certain other proposals now before the Group. In the course of this statement I will draw attention to certain elements in the proposals put forward by other delegations which fail to deal with the factors which I set out in my statement at our first meeting. In doing so I shall take into consideration, of course, the various comments made by other delegations on our proposals.

The objective of the Canadian Government in the tariff negotiations, and in developing a working hypothesis for those negotiations, is to provide a broad substantial and general reduction of tariffs making use to the fullest extent possible of the authority granted by the United States Congress to the United States Administration to negotiate tariff reductions. My Government hopes that in this Group we can agree on a working hypothesis under which Canada could participate on the same basis as other developed countries. That requires, of course, that our major trading partners understand and take into account our particular trading interests just as we must make an effort to understand and to take into account their interests.

It is my view that the working hypothesis should cover tariff reductions for industrial and agricultural and fisheries products, that it should deal effectively with the problems we have identified in various fora of tariff escalation and which are of great importance to our export prospects, as well as to those of a number of developing countries. The hypothesis should also deal in a meaningful way with significant tariff disparities. It should also take into account the existence of specific non-tariff measures related to the trade in particular products. And it is of great importance that the hypothesis which might be embodied in some sort of report from this Group deal effectively with the modalities of exceptions. In our view the exceptions procedure is an integral part of the tariff hypothesis, not something to be dealt with later and separately. And finally, we subsume as part of our approach to the working hypothesis the specific proposals regarding the harmonization of tariff levels relating to the trade in resource-based products which we have advanced in the sector group. The evolution of a working hypothesis giving

the hypothesis the necessary precision and detail, must of course take place in the context of reciprocity. It will be quite unrealistic to discuss hypotheses which obviously do not provide the basis for reciprocity and for negotiation on the basis of mutual advantage for each of the developed countries concerned.

In the light of those various considerations, we proposed a number of precise elements, including some alternatives. The comments advanced by other delegations about our proposals, while enlightening and helpful, have not persuaded me that we should abandon any of them.

First, dealing with duties of 5 per cent or less, our proposal was and is that these should be eliminated, except of course where specific exceptions to that rule might be agreed.

For duties over 5 per cent we propose for consideration two broadly alternative approaches, each of which contains alternative elements which we would wish to have further examined in this group.

Under the first alternative, we propose a two-step approach: the first step would be that rates over 20 per cent should be reduced to 20 per cent, subject of course to agreed exceptions. As a second step, all those rates now over 20 per cent and all rates now between 5 and 20 per cent might be reduced by one or other of two methods. One method would be to agree on an across-the-board cut of, say, 50 per cent or 60 per cent, with agreed exceptions.

An alternative to this second step would be a weighted reduction of all those tariff rates by say 60 per cent or 50 per cent. This latter proposal is designed to provide a more flexible approach to exceptions, while ensuring that we achieve a broad and substantial reduction of tariffs. It would also take into account the need to give credit for tariff reductions of greater than such linear cut as might be hypothesized and to give proper credit for tariff cuts less than an agreed level, i.e. for what might be called partial exceptions.

It will be clear that any of these alternatives combined with the elimination of duties of 5 per cent or less would bring about a tariff reduction greater, both in relative and in absolute terms, than was achieved in the Kennedy Round - unless there were a very great number of agreed exceptions.

The second alternative approach to the reduction of duties now over 5 per cent would be a linear cut, subject of course to agreed exceptions, a weighted average cut or some progressive formula leading to proportionately greater reduction for higher rates. Again, these proposals would yield a greater tariff reduction than achieved in the Kennedy Round, unless there were many agreed exceptions.

We stated, too, that account will have to be taken of the difference between those countries whose tariffs are assessed on a c.i.f. basis and those tariffs that are assessed on an f.o.b. basis.

Finally, we drew attention to the need to reflect in any document we might draft embodying the tariff hypothesis that there would be critical problems of achieving reciprocity in the tariff bargain if any of the major trading countries (by which I mean any of the Big Three) were to except products that are important in the trade of those countries which live by exporting to the Big Three.

Now I would like to look at a number of the proposals put forward by other delegations, to compare them with the Canadian proposals in the light of the consideration which I believe must be taken into account in the development of the tariff hypothesis. We note that other proposals all call for a significant overall reduction of tariffs. We note that the proposal advanced by the United States goes further in this direction than that of other countries, although it does not go as far as that proposed by Canada. A number of other delegations, and notably the delegation of the United States, have drawn attention to the need to deal with product-related non-tariff measures. We note too that the United States proposal is intended to provide a formula for dealing with tariffs for all sectors of trade, for trade in agricultural products, fisheries products as well as in industrial products. A number of other delegations advanced proposals that would deal with significant tariff disparities; indeed, most of them gave more weight to this element than does the formula proposed by the United States. As for the question of tariff escalation, we note that the United States proposal goes somewhat further than the proposals of a number of other delegations. However it does not go as far as does our proposal in the sector group.

There are other important differences between the other proposals on the table and the Canadian proposals.

One of the critical differences is in regard to low duties or the concept of a floor below which tariffs need not be reduced. I have previously set out my views on the concept of a floor, and I would like at this juncture to comment on the specific proposals regarding low duties advanced by the United States. The proposal of the United States delegation is designed not to make maximum use of the authority granted by Congress with regard to rates of 5 per cent or less. Although these tariff items are not excluded from the hypothesis, the depth of cut would of course be less than for rates above 6.67 per cent. In our view these reductions in low rates would be of very limited value. This is for two reasons. First, there is a major qualitative difference between agreeing to free entry and agreeing to a tariff reduction. It is perceived by the private sector as being a different sort of result from a negotiation and they act accordingly. Second, given that authority has been enacted by Congress to negotiate free entry where the present United States tariff is 5 per cent or less, a decision not to use that full authority will, reasonably enough, be interpreted by the business community as a decision by the United States Administration to maintain tariff barriers and to limit access to the United States market. In making their investment decisions they are bound to give great weight to this decision by the United States Administration.

I should like to make clear just how important this is to Canada. Over two thirds of Canadian dutiable exports to the United States are covered by rates now 5 per cent or less. For two thirds of that trade and for about 40 per cent of the tariff items Canada is the principal supplier to the United States. The United States proposal (and the proposals of the EEC and Japan) is essentially that we should negotiate in this major part of our trade, tariff item-by-tariff item, to reach free entry. Such a proposal, if accepted, would have an obvious impact on how much we could negotiate and on the manner in which we would negotiate.

I heard with interest the remarks of the representative of the United States on the tariff formulae presented by other delegations as they related to tariffs in the 0-5 per cent range. It is perhaps not without significance that he made no reference to the proposal advanced by my delegation to eliminate tariffs in this range. This proposal is set out in MTN/TAR/2 of 21 May last year.

Turning now to duties of over 5 per cent, we note that the United States proposal - subject, of course, to the great question mark of what are to be the exceptions - may go further in reducing tariffs than the proposals of a number of other delegations. However, it would not necessarily result in an overall tariff reduction greater than a number of the alternative approaches we proposed. That of course would depend upon the scope of agreed exceptions. However, the United States proposal makes use of the full United States authority only for duties of 6.67 per cent and over. Only about one quarter of Canadian dutiable exports to the United States would benefit from tariff reductions in this range, less such exceptions as might be agreed. The United States hypothesis would mean, however, that well over 90 per cent of United States dutiable exports to Canada would receive the benefit of a 60 per cent cut in Canadian tariffs, less agreed exceptions.

I fail to see how the United States representative would expect us to achieve reciprocity and make a mutually beneficial tariff bargain with the United States on such a basis.

Turning now to the question of exceptions. While there is no need at this stage to spend much time in identifying particular exceptions in product terms, although we all know what are likely to be some major exceptions to be claimed by some countries, I should like to make clear that my delegation is not prepared to decide or to set forth a definitive Canadian position on the tariff-cutting hypothesis until the general rules or modalities regarding exceptions are agreed in the group and until we have had an opportunity to hear the views of our private sector and the ten Provincial administrations.

The United States proposes "maximum restraint to minimize exceptions". We, like the United States, would support this basic commitment but like the United States our willingness to apply it will depend on its acceptance by other participants and on our assessment of the impact on the reciprocity and balance of the tariff bargain of such exceptions as may be advanced by our trading partners which we conclude have an impact on our rather narrow range of exports.

At the risk of possibly repeating myself I would like to say again what I said earlier about the problem of exceptions. First I would like to recall that our proposal for a weighted tariff reduction was and is designed to introduce elements of self-discipline combined with flexibility into the tariff negotiations and to make discussion about the depth of the tariff cut somewhat less abstract. Second we propose that there be a number of criteria against which a claim for exception might be assessed. For example, should a country be entitled to except a particular tariff item from its tariff offer if m.f.n. imports do not represent a substantial share of its domestic consumption? In other words, a country whose tariff on a particular product has effectively stifled import competition should not be allowed to make an exception of that item. Another criterion we propose for consideration is that there might be a maximum quantum of m.f.n. imports of manufactures and semi-manufactures which quantum could be applied with some flexibility to each national tariff schedule. Of course the impact of such exceptions on other countries tariff-cutting possibilities would have to be examined. Another matter which might be dealt with under the heading of criteria for exceptions would be a procedure to assess the impact of partial exceptions, and the possible offsetting of them by tariff cuts greater than any across-the-board level that might be agreed. Again, under the heading of criteria, one would want to examine the possibility of dealing with certain proposed exceptions by the longer phasing-in of tariff reductions.

Finally, under the heading of exceptions I should like to observe that any exceptions advanced in order to maintain the value of the GSP, or any other preference, nonetheless is an exception.

There have been a number of comments prompted by the exposition by other delegations of their various tariff-cutting hypotheses. It is a restatement of our approach to the task of formulating a tariff-cutting hypothesis prompted by consideration of the proposals of other delegations. Let me try to sum up our view and to suggest how the Group might direct its efforts.

First of all I think it is clear that we will all need considerable time to examine the implications of the various proposals before us; certainly we for our part want time to understand more fully and to explain privately to the United States delegation the implications of their proposals. They may find it

helpful to understand that it doesn't offer the prospect of a mutually advantageous tariff bargain because it doesn't go far enough.

Second, it seems to us that in this Group we must have a more thorough going discussion of the modalities of the exceptions procedure. I would urge the representative of the United States to consider whether it is likely that our work can be advanced unless the United States is prepared to join in a discussion of exceptions procedures. Third, we should take account of the progress or the state of play in other negotiating groups and take care that the tariff discussions neither move ahead of nor fall behind these other discussions. In particular I have in mind the need to move the discussions in the sector negotiation in pace with the tariff discussions. In this context I should like to observe, that it is our view that the Sector Group is not an appropriate forum to examine proposals for trade restriction or for less liberalization in a given sector than would be achieved by the application of general solutions. The Sector Group is designed to advance a complementary technique of negotiation. I think that concept means negotiations looking to more rather than less liberalization. Indeed, there is the question in our mind as to whether any other sort of proposal is really within the terms of reference of the Sector Group.

Finally before we can make very much progress in the examination of all the various tariff hypotheses on the table and indeed before we can make much progress in consulting the various private sector groups and provincial administrations in Canada, we need to have agreement in this Group as to what is the product coverage of the tariff hypothesis. We have consistently urged that it cover not only trade in the industrial sector but also trade in the agricultural and fisheries sectors. I am very loath to get involved in the long and laborious process of consultation in Canada about tariff hypotheses if I cannot at least advise what is the agreed coverage of the proposals at issue.