

WTO NON-AGRICULTURAL MARKET ACCESS

Communication from Canada

The following communication, dated 8 October 2002, has been received from the Permanent Mission of Canada.

Introduction

1. Over the course of the last eight Rounds of multilateral negotiations, we have seen that the reduction and/or elimination of tariffs and non-tariff barriers delivers major economic benefits, including the reduction of poverty. We now have another opportunity for progressive trade liberalization which can benefit all Members. In this paper, we enunciate our goals for this negotiation and put forth our views on some of the issues before us.
2. Canada has been encouraged by the participation of numerous Members, representing the full spectrum of development, in the discussions in the Non-Agricultural Market Access Negotiating Group. It is our hope that all Members will actively engage in order to benefit from the increased opportunities and welfare gains that are generated through liberalization.
3. Economic development for all Members depends largely on investment, both domestic and internationally based. In turn, the extent to which international investment can be attracted to any country depends in large part on the degree to which our trade regimes are characterized by transparency, predictability, efficiency and effective access for imports. Members whose trade policies have followed these principles have seen their economies prosper, while protectionist approaches have been relatively less successful.
4. We note that some Members have suggested that the level of ambition in this Round should be greater than in the Uruguay Round, while others have questioned whether all Members should be participating in or contributing to this negotiation. However, a clear commitment to liberalization was made by all our Ministers last November, when they agreed to undertake a broad and balanced work program based on enhanced market access, balanced rules, and well-targeted, sustainably-financed technical assistance and capacity-building.
5. With respect to technical assistance and capacity-building, Canada is ready to address specific needs, recognizing that meaningful participation by developing countries will be an indispensable ingredient in a successful negotiation.
6. Canada's objectives for the tariff negotiation include reducing and binding applied tariff levels which are not yet bound, reducing high bound rates and re-binding them at lower rates, and

expanding the scope of duty-free trade. In addition, we favour eliminating “nuisance” tariffs and maximizing the use of *ad valorem* rates.

7. In cases where there are substantial gaps between bound and applied rates, even large percentage cuts in bound rates can frequently result in little or no reduction in applied rates. In this context, we will not agree to bind valuable real cuts in our applied rates in return for purely pro forma liberalization, i.e. where cuts in high bound rates result in no decrease in applied rates – in other words, no improved market access.

Modalities

8. It is our view that, in order to best meet the interests of all Members, a combination of approaches will be needed, including sectoral agreements (both zero-for-zero and harmonization), formula-based approaches and the request/offer process.

9. With respect to formula-based approaches, these should be sensitive to the varying circumstances of Members. Some have suggested that it would be wrong to differentiate amongst Members according to the levels of development and tariff structures of various Members. On the contrary, Canada believes it would be unfair to use a “one-size-fits-all” approach where there are clearly differing levels of development and different tariff structures in place. Some countries, for example, already have relatively low applied and/or bound tariffs compared to some of their counterparts at the same level of development.

10. In addition to credits to be gained for liberalization during this negotiation, we support the concept of giving credit for prior autonomous liberalization which goes beyond existing Uruguay Round commitments. This is on the understanding that credit would be given only in those cases where changes have been bound, or will be bound as a result of the current negotiations.

11. With respect to the existing sectoral agreements, we believe that expanded membership would have positive spin-off benefits for all. In addition to broadening membership, we may also wish to expand product coverage within some of those agreements. Membership in these sectoral agreements contributes a valuable degree of certainty and predictability to our trade regimes, and thus acts to focus private sector attention and attract trade and investment flows.

12. Canada also supports the negotiation of new “zero-for-zero” (duty-free) sectoral agreements to include sectors of interest to both developed and developing countries. We would support new agreements for sectors such as fish products, forest products, fertilizers, energy-related equipment and non-ferrous metals. Additional sectors might also be of interest, and we will be considering with an open mind the proposals made by others.

Environmental Goods

13. Some have questioned the priority to be given to environmental goods, and have also questioned whether liberalization in this area should go beyond the average ultimately achieved in the NAMAN. We find these views difficult to understand, given that Ministers at Doha specifically singled out environmental goods for special attention. For Canada’s part, we would support a zero-for-zero agreement in this sector. As for product coverage, we agree with other Members who have commended to the NAMAN Group and the Committee on Trade and Environment in Special Session the work produced by APEC, which in turn took into account other international sources, including the OECD. The APEC product coverage, a list of HS tariff items, is based mainly on the principle of “predominant end use”, an approach we favour; we see concepts such as “sustainable materials” or “production characteristics” as difficult to operationalize and administer. However, this is not to say that we regard the APEC list as “closed”; we are open to product additions.

Non-Tariff Barriers

14. In Canada's view, WTO Members should make further efforts to reduce or remove existing NTBs which act to unduly restrict trade, and to discourage or prevent the introduction of new ones. Our overriding aim should be to curtail unnecessary barriers, while retaining the right of governments to apply measures in support of legitimate objectives, regulating in the public interest in the least trade-restrictive manner possible.

15. However, it will be important to avoid duplication with areas which are already covered in existing Agreements, or which are being addressed elsewhere. In some areas progress should be made by improving the implementation of existing agreements – for example, the Agreements on Technical Barriers to Trade and on the Application of Sanitary and Phytosanitary Measures. In addition, it would appear that a number of significant issues being raised by many of our respective exporters and importers might be properly addressed within the trade facilitation context.

Operational Issues

16. Canada urges those who have not already done so to complete their submissions to the Integrated Data Base. With respect to the base year for the negotiation, this will depend to a large degree on the state of the IDB submissions, but in principle we should use the most recent year in which data are available for the majority of Members.

17. Canada agrees with many Members that bound rates should be used as the basis for negotiation, bearing in mind our requirement that there must be significant narrowing of the gap between some bound and applied rates. In those cases where rates are not bound, the applied rate in place at the beginning of this Round should be the basis for negotiation.

Staging

18. On the question of a phase-in period for the results of the tariff negotiation, we consider that in general a five-year time frame would be the most reasonable. This should be combined with the use of linear cuts, so as to provide greater simplicity and predictability.

19. Members would be free to make a case for longer or shorter transition periods, depending upon the circumstances. In cases where zero-for-zero or tariff harmonization agreements are reached, implementation periods could be set on a case-by-case basis according to the situation in each sector, and could also include some country-specific flexibility.

Conclusion

20. It is evident that, while much progress has been made in the last eight Rounds, there remain significant barriers in numerous markets and in many sectors of export interest to all Members. There are still many high rates and, in addition, many tariff rates remain unbound. There are also many large gaps between bound and applied rates. These facts combine to create a scenario in which excessive unpredictability and uncertainty discourage flows of both trade and investment. It is our conviction that further trade liberalization would play a significant role in promoting economic expansion for all Members, at all levels of development.
