I would like to make a number of comments on the proposal now put before us by the spokesman of the Commission of the Communities.

First of all, I might make the rather obvious observation that if you count the number of months since the Tokyo Declaration was issued until now, to this date on which we have on the table the tariff proposals of two major participants in the negotiations, it makes an interesting commentary on the ideas about timing contained in the communiqués of the Rambouillet and San Juan meetings.

I do not wish to repeat all that I have said before on the various criteria which we would use in a tariff negotiation, but I would like to make the point again that it is the Canadian objective in these negotiations to have a broad and comprehensive attack on tariffs as on other trade barriers. It has been our perception that the Canadian interest would be well served by a comprehensive trade negotiation and that a limited negotiation bristles with difficulties for Canada, as it does for other countries.

More specifically, as far as the tariff negotiations are concerned, it was and is our ambition to see a formula developed under which Canada could negotiate on precisely the same basis as the other industrialized countries. As I said before, that requires some intellectual effort on the part of representatives of other countries to understand how a tariff negotiation must seem to a country which relies heavily on the tariff as an instrument of commercial policy (that is, more heavily on the tariff as compared to other instruments) and whose exports are relatively less diversified than those of other major countries. I don't see any sign that in the proposal put before us this morning that effort has been made.
By virtue of the exposition by Mr. Duginont at previous meetings, we have been able to make some study of \( y = x \cdot n \) times, including more than four and less than four times. Our view can be stated very simply; such a formula would require us to make substantial and meaningful tariff reductions on the exports of industrial products from the European Communities to Canada, and in return for which we would get virtually nothing.

I have the feeling that in previous meetings my comments on the proposal put forward by the representative of the United States were considered rather harsh. I would like to make it clear that the proposal now before us is, from the Canadian point of view, obviously very much less satisfactory than the United States' proposal.

It will not have escaped the perception of the representative of the Commission of the Communities that two thirds of their exports to Canada of semi-manufactured and fully manufactured products enter Canada at rates of over 10 per cent, in the range where there would be meaningful tariff reductions under their proposal, and that two thirds of our dutiable exports of semi-manufactured and manufactured products to the Community face rates of less than 10 per cent, where there would be very shallow reductions indeed under their proposal.

To put my comment on the Communities' proposal another way, it seems to me that it is at fault because it relies too heavily on the concept of tariff harmonization. In my earlier statement, Mr. Chairman, I had made clear that in the Canadian view the need to deal with tariff disparities which really did distort trade was one of the elements that had to be taken into account in evolving a tariff formula. But it is not the only element to be taken into account. It seems to me that this emphasis on harmonization, this reliance on harmonization as virtually the sole criterion by which one is to judge a tariff formula, leads to a rather bizarre result. What it does is to leave in place, and I presume this is part of its purpose, the apparatus of tariff discrimination in favour of a number of advanced countries against the products of the United States and Canada. It was a matter of concern to us that the United States proposal - despite the stated willingness of the United States delegation to engage in negotiations on particular products, for which they might contemplate going to tariff-free entry - did raise the danger of leaving in place the discrimination against our exports to the Communities in favour of other developed countries. The Communities' proposal seems to be designed to leave in place the substantial apparatus of tariff discrimination in favour of the exports of some developed countries as against the exports of other developed countries.
There are other ways of looking at this theme of the Communities' tariff harmonization. It will not have escaped the attention of the Communities that the Canadian tariff structure contains a substantial number of free rates on semi-manufactured and manufactured products, not all of them, of course, bound in the GATT. I would have thought that a reasonable way of approaching the objectives set before us in the Tokyo Declaration would be to consider a substantial broadening of the area of tariff-free entry, bound in the GATT, by all major participants. That is another way of phrasing the objectives I set out in the last meeting in the form of a commentary on the United States' proposal. Such a broad move to tariff-free entry would, of course, reduce to more manageable proportions the problems that people think they have with customs valuation. And it might help to make more manageable certain other non-tariff barrier problems.

This proposal by the Community is clearly very much less ambitious than envisaged in the Tokyo Declaration; it is much less satisfactory than the United States' proposal, and clearly that proposal was not entirely satisfactory to Canada. In our view, Mr. Chairman, what we might best do is note the Community proposal, and note the comment of at least one delegation that it could not provide the basis for a satisfactory tariff negotiation, and would fall far short of meeting the test of reciprocity and of mutual advantage.

The second statement made on behalf of the Commission of the Communities, and certain other statements, call for brief comments. First, it is clear that the discussion on harmonization is yet another example of the tendency in tariff negotiations to be mesmerized by the ritual and rhetoric of negotiation without looking at the economic facts. I don't think you could find a competent economist who would suggest that there is really anything in harmonization of nominal tariff rates as an economic concept. However, it does have certain presentational advantages, as far as the business community is concerned, and for the voting public. But we all know that there are nominal low rates that have a real effect on trade flows and on the location of industry and on investment decisions. If they did not, all of us would long since have abandoned more of our low rates. We know that there are nominal high rates maintained by certain countries that do not preclude a substantial volume of imports, whereas in other economies lower nominal rates may effectively bar import competition. When you look at the impact of a given tariff rate in the economic context of commercial policy in a particular country, harmonization tends to disappear as anything but a presentational concept. I am quite sure that the spokesman for the Commission of the Communities understands this just as well as we do.

As for the question of agriculture I would not want to assert that we Canadians are without sin in the area of agricultural commercial policy, but I don't think I am prepared to accept being bracketed with the Communities as sinning to quite the same extent and quite so systematically.
As for the question of tariff discrimination to which I referred and on which Mr. Luyten has commented, I would really be quite happy to find a less pejorative term. However, the fact is that we have seen emerging around the Community a tariff structure which imposes lower tariffs on certain products imported into the Community from certain countries as compared with the tariffs imposed on goods imported from certain other countries such as Canada. If you can find a neutral term, a term with less pejorative overtones than "discrimination" I would be happy to use it. But the vigour with which the argumentation is presented by Mr. Luyten, and the fact that a measure of support for the Communities' tariff proposal is forthcoming from countries who share better terms of tariff access (or expect to do so) to the Communities than does Canada, makes it clear to me that I was right in suggesting that the result, and I assume an intended result, of the Communities' formula is to maintain the apparatus of tariff discrimination in Europe. Frankly I do not see that the welfare of Europeans, or the strength and vigour of the movement towards European integration, would be adversely affected by the removal of tariff discriminations against Canadian products and by the access of European industry and consumers to some of those products on a cheaper and more competitive basis.