

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Working Party on Structural Adjustment
and Trade Policy

RECORD OF DISCUSSION ON COUNTRY CONTRIBUTIONS
RELATING TO EXPERIENCE WITH STRUCTURAL ADJUSTMENT

Canada
(Spec(82)6/Add.6)

1. The representative of Canada took the openness of Canada's economy as a point of departure when introducing his delegation's submission. He quoted figures which showed the importance of foreign trade in relation to the GNP and total output of manufactured goods, the important role played by foreign direct investment, and the absence of foreign exchange control and the quite open and liberal security markets. He also mentioned the contribution of immigration to population growth and to the increased diversity in Canada in terms of backgrounds and skills. Although the Canadian economy had a vigorous private sector, a relatively large number of state enterprises had traditionally existed and continued to exist, both at the federal and provincial level. Another important feature was the rich resources, particularly in energy, forests, mining and agriculture, areas which were, however, under the influence of world cyclical developments. He elaborated on some of the factors relevant to Canadian structural changes, as set out in the submission, such as the growing importance of the service sector now accounting for two-thirds of total output, the large demographic and demand shifts and the creation of industries based on new technologies. Among recent factors he noted, inter alia, the continued rise in unemployment - which had now passed 10 per cent - and the depreciation of the Canadian dollar vis-à-vis the US dollar. He reiterated the external factors (pages 17-19 of the submission), recalled the broad groups of industries which had to cope with problems of adjustment and explained the situation in those sectors (textiles and clothing, footwear, transportation equipment including ships, automobiles and agriculture) where trade policy departed from the norm of continued liberalisation, adding that a certain degree of adjustment would result from the present world economic recession. In addition to sectoral policies, the Federal Government pursued macro-economic policies relevant in the adjustment context - tax policies, regional development policies and policies aimed at assisting small business. Specific programmes were undertaken at federal and provincial levels to assist firms in modernizing and rationalizing, to give financial assistance to job retraining and workers' relocation, and to communities, particularly those in depressed areas. Government programmes - at both levels - aimed at stabilization and supply management in the case of agriculture.

2. One member asked for a specification of agricultural products excluded from the Canadian General Preferential Tariff, the reasons for these exclusions and whether it was envisaged that they would eventually be

included. He also sought further details on support and assistance measures and asked how the import control, stabilization and supply management policies in the agricultural sector assisted the adjustment process in that sector. He further asked how employment in various sectors of the Canadian economy had changed over the last 15 years and how exports and imports, by sector, had changed over the same period.

3. Another delegation wondered how the statement by the Canadian delegation (on page 21) to the effect that "the prospect of temporary (Article XIX) protection induces and facilitates the restructuring required" related to the past experience with (formal and informal) safeguard measures and how it related to the existing programmes. To what extent were these programmes funded in order that the measures would indeed be temporary, and to what extent had they prepared the ground for the elimination of the measures in question. He also wondered what the problems faced by export-oriented industries in third markets were, in view of the lack of structural adjustment in those markets. Finally, referring to a statement in the submission concerning the assumption of greater obligations in the multilateral trading system by the more advanced developing countries, he wondered what relevance this had to the work of the Working Party; given the fact that developing countries were already importing to the limits of their capacities, he failed to see how better access to certain developing countries' markets would facilitate access to the Canadian market of manufacturers which presently seemed to cause problems.

4. Another delegation noted that Canada had emphasized the importance of demographic and social factors, of internal factors such as investment and resource-developing programmes, and of "the demise of the Bretton Woods system of fixed exchange rates and the rise of OPEC". The importance of the proximity to the US market, mentioned by Canada, was a phenomenon which his delegation thought had its parallel in Europe. Like the previous member, he was interested in support measures adopted in recent years comprising a number of funded assistance programmes and policies, and asked what types of action were pursued, the amounts of the funds and the categories of industries eligible to benefit from the measures. Information was also requested on the activities developed by the assistance programmes for the creation of new jobs whose budget amounted to Can\$ 2000 million, the names of the five developing countries which had benefited from the General Preferential Tariff, and the relationship between the federal and the provincial governments in the area of structural adjustment policies.

5. The delegations referred to in the three preceding paragraphs also sought information on the tasks and powers of the "Office of Industrial Adjustment", how it was financed, what types of programmes would be financed by it, and how the Office would operate in defending existing programmes as compared to the situation prior to its creation. It was also asked how it would be able to implement the various policies.

6. One member asked if Canada could provide an assessment of the cost effectiveness and efficacy in terms of adjustment of the following measures in the agricultural sector: (a) dairy support programme, including incentives for production for export of dairy products; (b) use of the embargo as opposed to quotas or the tariff on butter, skim milk powder (SMP) and whole milk powder (WMP); (c) countercyclical controls embodied in the

Canadian Meat Import Act of 1981; and (d) the stabilisation and supply management policies referred to in section VI of the Canadian submission. He also wondered whether Canada had experienced any problems in allowing structural adjustment to occur on the basis of comparative advantage.

7. Replies to some of the questions contained in the preceding paragraphs were supplied by the Canadian delegation in document Spec(82)6/Add.6/Suppl.1.

8. One member referred to a statement that Canada had had recourse to various relief instruments or measures in specific situations where imports had caused or threatened serious injury to domestic producers. He requested information on these relief instruments or measures and on their legal basis, and asked whether they had been notified to GATT.

9. Another member noted that there were several industries facing intense competition and structural problems (leather goods, knitting mills, clothing, shipbuilding, metal fabricating, electrical equipment) and asked if there were specific adjustment policies in each of these sectors. In addition to information on the techniques used, he wanted to know whether trade policy tools were among them and, if so, at what cost. He also asked if the "new policies to cope with adjustment stemming from oil price increase" (page 19 of the submission) included trade policy measures, how they were applied, what the impact on trade had been and whether these policies applied to the petroleum sector or to other sectors affected by the price increase. He also requested more detailed explanations on how the "Machinery Programme" worked, whether trade policy instruments other than the tariff were used in this connexion and whether an estimate of the costs could be given. Noting that the Canadian submission mentioned Article XIX actions as an example of emergency import relief measures, he asked what the other measures were. With regard to assistance programmes aimed at strengthening competition in the face of import competition, he wondered whether these were coordinated plans or separate programmes, whether an industry submitted an adjustment programme, whether such programmes involved trade measures and finally what the costs were.