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COUNCIL FOR TRADE IN GOODS
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CARIBCAN

Request for Extension of Waiver

The following communication, dated 3 September 1996, has been received from the Permanent Mission of Canada.

I REQUEST:

By action of the CONTRACTING PARTIES of the GATT 1947 on 28 November 1986 (L/6102), Canada was granted a waiver of its obligations under paragraph 1 of Article I of the General Agreement, with respect to the establishment of duty-free treatment to imports of eligible products into Canada from beneficiary Commonwealth Caribbean countries, as provided in Section 53 of the Customs Tariff, R.S., c. 41 (3rd Supp.), in accordance with the CARIBCAN initiative (hereinafter referred to as "CARIBCAN"). This waiver was initially granted for the period 15 June 1986 until 15 June 1998.

Paragraph 2 of the Understanding in Respect of Waivers of Obligations Under the General Agreement on Tariffs and Trade 1994 provides that any waiver in effect on the date of entry into force of the World Trade Organization (WTO) Agreement shall terminate, unless extended in accordance with the procedures set out in the Understanding and those of Article IX of the WTO Agreement, on the date of its expiry or two years from the date of entry into force of the WTO Agreement, whichever is earlier. Under this agreement, the CARIBCAN waiver granted to Canada by the Decision of 28 November 1986 will expire on 31 December, 1996.

Canada requests that Members extend the 1986 waiver for ten years in order that Canada can continue to extend duty-free treatment to the imports of Commonwealth Caribbean nations. This request is made in accordance with the Guiding Principles to be followed in considering applications for waivers adopted on 1 November 1956; the Understanding in Respect of Waivers of Obligations under the General Agreement on Tariffs and Trade 1994; and paragraphs 3 and 4 of Article IX of the Marrakech Agreement Establishing the WTO. The circumstances justifying the renewal of the waiver and the policy objectives underlying CARIBCAN are described below.

II BACKGROUND:

Canadian foreign policy has long recognized a special relationship between Canada and the Commonwealth Caribbean, stemming, in the first instance, from trade and commercial ties which pre-date Canada's Confederation and continue to the present day by joint membership in the Commonwealth and similar democratic institutions. In 1986, in recognition of this special relationship, Canada responded positively to the request of the Commonwealth Caribbean to institute a package of trade and development assistance measures to assist them in meeting their economic development goals. The cornerstone of CARIBCAN, as these measures are known, was the extension, beginning on June 15, 1986, of preferential, one-way duty-free trade for most imports originating within Commonwealth Caribbean countries.

The considerations that led the CONTRACTING PARTIES to the GATT in 1986 to grant the Government of Canada a waiver from its obligations under paragraph 1 of Article I of the General Agreement remain relevant to the present request to extend the waiver for a further 10 year period. In particular:

1. The objective of granting preferential tariff treatment under CARIBCAN continues to be the enhancement of the Commonwealth Caribbean's existing trade and export earnings and thereby promote economic development as well as to promote new investment opportunities and encourage enhanced economic integration and co-operation within the region. In March of 1996, at the Canada-CARICOM Heads of Government Summit held in St. George's, Grenada, the CARICOM Heads of Government confirmed that they continue to place considerable importance on this preferential access for Caribbean products to the Canadian market.
2. The duty-free treatment provided under CARIBCAN has been shown to promote the expansion of trade and economic development of beneficiaries in a manner consistent with the objectives of the General Agreement and with the trade, financial and development needs of the beneficiaries and has not raised barriers or created difficulties for the trade of any other contracting parties. Between 1986 and today, no contracting party to the General Agreement or WTO Member has requested consultations with Canada with respect to any difficulty or matter arising out of the implementation of the provisions of CARIBCAN.
3. There is no evidence that there has been any diversion of Canada's imports of products eligible for duty-free treatment under CARIBCAN originating in WTO Members who are not beneficiaries.
4. CARIBCAN is not an impediment to the reduction of tariffs and other restrictions on trade on a most-favoured-nation basis. Moreover, CARIBCAN has not prevented the further reduction of Canadian General Preferential Tariff rates available to all developing countries.

III COVERAGE

Product and country coverage is specified in the enabling legislation (Section 53 of the Customs Tariff Act, R.S., c. 41 (3rd Supp)).

The duty-free treatment is provided in respect of all products, except:

- products of HS Chapters 50 to 65 inclusive;

- products of HS heading 42.02, other than leather luggage of tariff item No. 4202.11.00 or 4202.11.90, or products of HS heading No. 46.02, other than vegetable fibre baskets of tariff item No. 4602.10.92;
- products of tariff item No. 2710.00.20, 2905.11.00, 3403.11.10, 3403.19.10 or 4203.10.00; and
- products subject to MFN rates of duty which are more than thirty-five per cent (35%).

To qualify for the duty free tariff treatment accorded to Commonwealth Caribbean countries, at least sixty per cent of the ex-factory price of the goods as packed for shipment to Canada must originate in one or more beneficiary countries or Canada. The sixty per cent qualifying content may be cumulated from various CARIBCAN beneficiary countries or Canada. The goods must be finished in the beneficiary country in the form in which they are imported into Canada.

The list of countries eligible to receive the duty-free benefits accorded under CARIBCAN contains the following countries: Anguilla, Antigua-Barbuda, The Bahamas, Barbados, Belize, Bermuda, the British Virgin Islands, the Cayman Islands, Dominica, Grenada, Guyana, Jamaica, Montserrat, St. Christopher and Nevis, St. Lucia, St. Vincent and the Grenadines, Trinidad and Tobago, and the Turks and Caicos Islands.

In light of the continuing relevance of these considerations and taking into account information pertaining to coverage, Canada requests that the Members of the WTO approve its application for a waiver renewal.