

F) Balance of Payment Restrictions

53. GATT members are permitted to introduce temporary import restrictions to correct severe imbalances in international payments. Canada introduced surcharges for this purpose in 1962. The U.S. introduced a 10 per cent surcharge, i.e., additional duties of 10 per cent on dutiable imports, in August 1971. These surcharges were removed after three months. Because the surcharges applied only to dutiable items, 70 per cent of Canada's export trade, including that under the Auto Pact, was exempted. Congress enacted a specific authority for balance of payment restrictions in the Trade Reform Act of 1974 which allows the President to introduce a surcharge of up to 15 per cent, or import quotas, when the U.S. has a large and serious balance of payments deficit, or there is a danger of an imminent decline in the international value of the U.S. dollar, or there is need for the U.S. to contribute to the restoration of international equilibrium.

54. Although the Act indicates that restrictions would generally apply to all countries, in accordance with GATT rules, there is also provision for the discriminatory imposition of restrictions against one or more trading partners which have "large and persistent balance of payments surpluses". The legislation also requires that surcharges or quotas should be of "broad and uniform application" with respect to product coverage with exceptions allowed for goods not available domestically in the U.S. at reasonable prices, or to avoid serious dislocations in the supply of imported goods.

G) Government Procurement

55. GATT members are obliged to accord one another "national treatment" with respect to internal measures that can affect trade. There can be no discrimination against imports with respect to such matters as sales tax. However, government procurement is excluded from the "national treatment" obligation. With the growth in public sector procurement, discrimination against imports resulting from restrictive procurement policies constitutes a major and increasing impediment to trade. In the Multilateral Trade Negotiations concluded in 1979, major trading nations negotiated an Agreement whereby "national treatment" was guaranteed for purchases by designated government departments or agencies. Negotiations are underway in GATT to expand the coverage of the Code. The current agreement does not cover certain entities which purchase items of export interest to Canada, such as transport and electrical generating equipment. Moreover, neither the Canadian provinces nor the U.S. states are bound by the Agreement and can discriminate in favour of local suppliers against imports.