

## CANADIAN GENERAL PREFERENTIAL TARIFF POLICY

### ISSUE

There are no outstanding issues with South Korea on the Canadian General Preferential Tariff (GPT). Along with other preference receiving countries, Korea has asked for improvements to the GPT. Korea continues to rank first among beneficiary countries in terms of benefits received under the GPT.

### BACKGROUND

The Canadian General Preferential Tariff was brought into effect as part of a concerted international effort by industrialized countries to assist developing nations in expanding their export capability and increase their foreign exchange earnings. The Canadian scheme applies to all Less Developed Countries eligible for Most-Favoured-National (MFN) treatment, as well as to a number of Eastern European countries. Under the GPT, rates of duty on most eligible products are set at two-thirds of the MFN rate or lower. The GPT applies to manufactured and semi-manufactured goods with the exception of most textile, apparel and footwear products. Since its inception in 1974, there has been a number of improvements to the GPT scheme in terms of product coverage and margins of preference. Like the preferential schemes of other countries, the Canadian GPT is non-contractual and non-reciprocal in nature and Canada is under no legal obligation to maintain preferences.

As is the case of other preference-giving countries, Canada has safeguard procedures which allow for the withdrawal of GPT rates, in whole or in part, when imports at preferential rates cause or threaten to cause injury to domestic producers. Safeguard petitions are considered by the Canadian International Trade Tribunal (CITT), to which interested parties, including beneficiary countries, may present their views. The GPT was withdrawn, for safeguard reasons, from a few products of interest to Korea, more particularly rubber footwear (withdrawal to be reviewed by December 1991) and rubber inner tubes (withdrawal extended until 30 June 1994). A safeguard action measure on spandex yarn was removed on October 31, 1991, after the CITT concluded that there was no imminent threat of injury to the Canadian spandex industry. The existing withdrawals affect only a small portion of Korea's exports to Canada.

In terms of value, the Republic of Korea is the major beneficiary of the Canadian scheme. In 1989, over 35 percent of all imports eligible under the Canadian GPT came from Korea. Total Canadian imports from Korea have more than quadrupled in the period 1982 to 1989, from \$568 million to \$2.441 billion