

**CUSTOMS ACT  
CUSTOMS TARIFF**

MEASURE TO AMEND

**Hon. Barbara McDougall (Minister of State (Finance))** moved that Bill C-9, an Act to amend the Customs Act and the Customs Tariff, be read the second time and referred to the Committee of the Whole.

She said: Mr. Speaker, I am pleased to put Bill C-9 before the House today. It would enact the amendments to the Customs Act and the Customs Tariff set out in the notice of Ways and Means motion tabled on November 8. Our Government is proceeding with this legislation early because of its vital importance to Canada's trade performance.

All Hon. Members of the House know that there is a general movement toward freer trade world-wide. This Bill enhances Canada's commitment to the General Agreement on Tariffs and Trade. These measures were originally brought before the House by the previous government on February 15, 1984. Bill C-9 is particularly important because it will enhance Canada's participation in the multilateral trading system by implementing a new method of valuing goods for customs purposes in line with our GATT obligations.

The Bill also introduces certain amendments to the Customs Tariff related to the implementation of this new valuation system. It expands the duty-free product coverage of the Customs Tariff in line with the expanded coverage under the GATT aircraft agreement. It removes the condition for certain tariff items that goods must be of a class or kind made or not made in Canada in order to qualify for specified rates, as well as providing for a number of miscellaneous tariff changes.

With respect to amendments to the Customs Act found in Part I of the Bill, it might be helpful if I described the context within which Canada decided to change its valuation system as of January 1, 1985. For many years there has been a growing recognition among the world's major trading nations that the openness of the international trading system could be strengthened by moving to more standard and transparent procedures which affect the flow of trade.

Since Canada relies to a great extent on international trade for our economic well-being, it is crucial that we support and participate in these multilateral efforts to harmonize international trade procedures.

One of the major initiatives of the Tokyo Round of multilateral trade negotiations concluded in 1979 was the establishment of a customs valuation code, under which all major trading nations of the world would establish the value of imported goods for the purpose of assessing customs duty in the same manner. By knowing the rules of the game in advance, exporters and importers alike would have greater certainty in conducting their business transactions in international as well as in domestic markets. Under the customs valuation code and in the proposed legislation now before the House, the price paid by the importer to the exporter for the imported goods will be the value on which duty is applied unless certain clearly defined conditions exist.

*Customs Act*

Those of us who are familiar with the current Canadian system realize that this approach is quite different from the one currently applied wherein the value for duty is, as a general rule, the price at which like goods are sold in the exporter's domestic market.

In spite of the advantages foreseen in adopting this code and the fact that Canada was able to obtain greater access to more markets as a result, this decision was not made without costs.

Many of our trading partners had customs valuation systems which closely approximated the provisions of the code. Their adherence to the code required only minor adjustments on the part of their business communities and customs officials. Canada's system of customs evaluation, on the other hand, was unique and our implementation of the code required a substantially greater reorientation of customs procedures.

In addition, analyses indicated that the base upon which some goods would be valued for duty would be lowered and the level of protection afforded to Canadian manufacturers by the tariff would be diminished. Thus, during the Tokyo Round Canada attached two conditions to the adoption of the customs valuation code. The first was a four-year extension to the deadline for implementing the new valuation system. While our GATT trading partners agreed to bring their systems into line with the code by January 1, 1981, Canada's obligation to implement the code will be January 1, 1985.

The second was our right to increase tariff rates, wherever necessary, to maintain the same level of production. Against this background it was extremely important for the Canadian business community to have the fullest opportunity to comment upon the legislation implementing the code and upon the effect its implementation would have on their tariff protection. Through the Tariff Board individuals were encouraged to make their views known and public hearings were held. The vast majority of recommendations made by the Tariff Board following these hearings were accepted for implementation. In summary, these amendments to the Customs Act will provide over the longer term more certainty and clarity for importers.

Since these provisions are also reflected in the statutes of our trading partners, we can be sure that a similar certainty is available to our exporters. Indeed, this type of transparency and openness can help to strengthen the multilateral trading system and increase world trade to the benefit of all.

Three aspects of the proposed Customs Tariff amendments contained in Part II of the Bill are related to the new valuation system. They are intended to maintain protection which could have been lost by Canadian producers resulting from the implementation of the new valuation system. I must emphasize that we are not proposing—and it is important to mention that we cannot propose—under our international obligations increased or new protection for these individual items.

First, tariff rate increases are contained in Schedule I of the Bill of individual items where the termination of the current system would lower the value of the goods on which duty is collected. These rate increases have been recommended by the Tariff Board following a series of public hearings. However,