

*The Budget—Mr. Sharp*

the negotiations should cover all classes of products, whether industrial or agricultural; that the negotiations should deal with both tariff and non-tariff barriers to trade; that they should be based on a plan of substantially equal linear tariff cuts for certain of the more highly industrialized countries; that the trade negotiations should provide for acceptable conditions of access to world markets for agricultural products, and that every effort should be made to reduce barriers to exports of the less developed countries. It was on the basis of these principles as agreed to last May in Geneva that a trade negotiating committee was established to work out or negotiate a plan to supervise the conduct of the negotiations. This committee has been at work and it has been trying to work out the negotiating rules relating to the countries participating on a linear basis, and particularly the question of the depth of the tariff cut, and the way of dealing with this problem of tariff disparities.

Now, since these negotiating rules will have an important bearing on the results, one can say that the negotiations which we have been talking about as if they were to begin on May 4, have really already begun. These negotiations have, in fact, now been in progress for some months. Since this matter is of very considerable interest not only to the members of this house but to the community at large, I should like to deal briefly, and I hope clearly, with the problems that are now under discussion.

The essence of the problem of tariff disparities is to develop equitable rules for negotiations of equal linear tariff cuts between countries with differing tariff levels or structures. This problem, as hon. members may well recognize, arises particularly between the European economic community and the United States because the tariffs which now surround the European economic community are the result of an averaging process, a process which was necessary in order to make one community out of the six countries that entered into the European economic community. During this averaging process most of the tariff peaks were removed. The United States, on the other hand, has many low rates, but more particularly high rates in certain sectors, rates that are substantially above the rates of duty for the same items in the common market tariff. The six contend that where their tariff is significantly below the level of the comparable United States tariff an equal linear tariff cut would not yield an equivalence of benefit. Last May it was agreed that the trade negotiations committee should develop a criteria for determining where significant tariff disparities exist—that is disparities which are

meaningful in trade terms—and to determine what special rules should be applicable for tariff reductions in such cases.

Since the likelihood is that where tariff disparities are found to exist there will be a smaller cut in tariffs, the question of the number of items accepted for special treatment has an important bearing on the total scope of the negotiations and on the question of reciprocity of benefit. It may also have an important bearing on the exceptions which would be made to the general rule, and particularly upon the general position of countries other than the United States and the European economic community, who will be affected by the depth of the tariff cuts made by them. Although progress has been made, the chief countries concerned have not yet resolved these difficult issues. Further meetings are scheduled between now and the opening date of May 4.

The second and perhaps most important point that was referred to the trade negotiating committee was the depth of the tariff cut. The United States trade legislation allows for cuts of up to 50 per cent on an across the board basis and with few exceptions. It also permits the removal of United States tariffs where the rates are 5 per cent or less. The discussions that have been going on in Geneva have been going forward on the working hypothesis of a 50 per cent cut. Whether this will become the actual rule for tariff reduction remains to be agreed. How much of the tariff of the United States, of the European economic community and of other countries will, in fact, be reduced in these negotiations cannot be finally known until the end of the negotiations. It will depend on the extent to which the participating countries are prepared to exchange meaningful concessions. The actual average incidence of the cut will be determined, not only by the general rate, whatever that may be, but also by the number of disparities involved and the number of exceptions made.

We for our part, and I am speaking now on behalf of Canada, are hoping that our trading partners will be prepared to go as far as possible in offering reductions to barriers to our export trade. There is every evidence to suggest that the United States administration is determined to offer maximum concessions to other countries within the scope of the authority received from congress. The United Kingdom and the continental E.F.T.A. countries have indicated that they intend to make substantial and positive response and they are interested, like the United States, in keeping exceptions to the minimum and narrowing the list of disparity items. The European economic community, on the other hand, has reaffirmed its support for a major