

CUSTOMS ACT AMENDMENT IN COMMONS

MINISTER'S STATEMENT: The Minister of National Revenue, Dr. J.J. McCann, introduced in the House of Commons on December 7 an amendment to the Customs Act which he said was "designed to help meet the difficulties arising from end-of-season and end-of-line imports which are dumped into Canada at abnormally low prices".

Dr. McCann spoke as follows in explaining the legislation:

"Among its administrative functions the Customs Division of the Department of National Revenue bears the responsibility of appraising all imported goods to ascertain whether they are being imported at a price related to the fair market value in the country of export as defined by the Customs Act.

"As ordinary routine exporters' invoice values, where these appear low, are closely scrutinized to determine whether they comply with the valuation provisions of the Customs Act. When such values are less than domestic market prices in the country of export, proper values are established on which duty and sales tax are based. In addition, a special duty may be imposed under the dumping clause of the Customs Tariff to the extent of the undervaluation.

SECTION 35

"Section 35 provides the definition of value for duty required in carrying out these functions.

"By and large this basis of appraisal of values for customs purposes has worked reasonably well. However, it has been found in practice that the section as it is now worded has not been fully adequate to deal with certain practices which in fact constitute a special kind of dumping.

"A number of cases have recently been brought to the attention of the Government where the application of Section 35 of the Customs Act has permitted the importation of manufactured goods into Canada at values which, while strictly speaking the same as those prevailing for the moment in the domestic market of the country of export, are nevertheless abnormally low. The flow of imports resulting from these conditions does not reflect the true competitive position of the Canadian industry concerned. In the textile industry, for example, as the season abroad advances or as inventories of some items accumulate, certain lines are closed out and placed on the market at prices substantially less than those previously effective. The importation of such goods into Canada at abnormally low prices may cause injury to Canadian industry which is not in any real sense related to its relative efficiency or productivity.

"The Government believes that this situation needs to be corrected, and to this end is proposing an amendment to the Customs Act.

"The amendment proposed, that is, the addition of subsection 6 to Section 35 of the Customs Act, authorizes the Minister, in cases where he finds prices of manufactured goods have fallen to abnormally low levels as a result of the advance of the season or the marketing period, to appraise the goods concerned for customs purposes on the basis of the weighted average price prevailing in the country of export in a reasonable preceding period not to exceed six months. It is believed that in the circumstances envisaged this will provide a more accurate reflection of the fair market value in the country of origin at the time of exportation to Canada.

"This amendment involves no departure from our established trade policy. The Canadian Government has consistently worked for the reduction of trade barriers and the expansion of world trade. We are convinced that this policy is essential to the stability at a high level of employment and prosperity in Canada.

VALUATION PROCEDURES

"In line with this policy the proposed amendment is directed toward dealing with the problem I have outlined not through any tariff increases or import quotas but by ensuring that the valuation procedures shall be such that the existing tariff rates receive their proper application.

"I should make it clear to the House that the proposed amendment is fully consistent with our international obligations. Our trade agreements including GATT recognize the right to deal with dumping. Indeed, if there were no provisions to deal with undervaluation it would not have been possible to make the progress we have made in reducing tariff rates and other barriers to trade.

"This revision of the law is designed to help meet the difficulties arising from end of season and end of line imports which are dumped into Canada at abnormally low prices. Industries which are well organized and reasonably competitive should not be allowed to suffer as a result of this situation.

"This proposed change in the law will not, however, help industries whose prices are too high, whose productivity is low, or whose marketing practices are obsolete. What we are trying to ensure is the maintenance of fair competition--that is, fair to producers and consumers alike.

"It is proposed to bring this provision into effect as from midnight tonight."