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CANADA WITHDRAWS TARIFF CONCESSIONS ON CERTAIN PRODUCTS OF EXPORT INTEREST TO THE EUROPEAN UNION

The Honourable Roy MacLaren, Minister for International Trade, today announced that Canada has given notice to the European Union (EU) of its intention to withdraw tariff concessions on a range of exports of primary interest to the EU, pending negotiations of permanent compensation resulting from the accession of Austria, Finland and Sweden to the EU.

As of March 27, Canada will raise its tariff "bindings," or maximum permissible rates, on imports of vodka (from \$0.1804/litre to \$1.00/litre), perfume and toilet waters (from 9.3 per cent to 20 per cent), high-value women's shoes (from 20.5 per cent to 22.8 per cent) and lead crystal glassware (from 9 per cent to 20 per cent). This is to offset EU tariff modifications associated with the recent accession of the three new members to the EU, and the resulting imposition of higher tariffs on Canadian exports to these countries of a large number of products including fish and seafood, aluminum, wood and snowmobiles.

"The EU has chosen to disregard established procedures for notifying, consulting and compensating Canada prior to the tariff modifications being implemented, and this is unacceptable to Canada," said Mr. MacLaren.

At the same time, Canada will raise the applied duty rates, up to the level of the new bindings, on vodka and lead crystal glassware. It is hoped that these measures will apply only temporarily. However, should formal negotiations between Canada and the EU not produce the desired results, the applied rates on the remainder of the products could also be increased in June.

The World Trade Organization (WTO) sets out rules to ensure that the enlargement of a customs union does not disrupt existing trade patterns. If a tariff increase occurs on a product, the affected trading partners are entitled to compensation.



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It is estimated that the EU tariff modifications on affected Canadian exports to Austria, Finland and Sweden will amount to \$8.25 million in additional duty collections in 1995. In response, Canada will impose additional duties on imports of particular interest to the EU. This measure will not affect partners in the North American Free Trade Association or developing countries eligible for existing preferences.

"The products upon which we intend to withdraw concessions have been chosen on the basis that EU producers bear the cost. The impact on Canadian consumers, industry or third country producers will be negligible," Mr. MacLaren said.

Canada is exercising its WTO rights under Articles XXIV and XXVIII of the General Agreement on Tariffs and Trade (GATT). Under WTO regulations, Canada must provide 30 days' notice of its intention to withdraw concessions.

"Our action is consistent with WTO procedures, and our goal is to negotiate a permanent compensation arrangement under the WTO," said Mr. MacLaren.

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