

CHAPTER 10

CANADA

A. QUANTITATIVE RESTRICTIONS

EXPORT RESTRICTIONS ON LOGS

<Outline of the Measure>

The Province of British Columbia has prohibited the export of a portion of softwood logs in order to protect its domestic industry. For province-owned forests, the provincial law stipulates that lumber produced from forests in the province shall be used or processed within the province while, for privately-owned forests, the federal law stipulates so. Logs are exported only where they are recognized as surplus materials that are not used within the province. For province-owned forests, the Lieutenant-Governor or the Provincial Minister of Forests, Lands and Natural Resource Operations determines whether or not logs are surplus materials through examinations conducted by the Timber Export Advisory Committee (TEAC). For privately-owned forests, the Minister of Foreign Affairs and Trade makes such determinations through examinations conducted by the Federal Timber Export Advisory Committee (FTEAC). With regard to lumber produced from province-owned forests, export is banned for all of Yellow cedar and Western Red cedar and high-quality logs of Douglas fir, Western hemlock, and Sitka Spruce, etc., excluding some areas, such as native settlements. In addition, the government imposes a “fee in lieu of domestic manufacture” (equivalent to an export tax) between 5 to 15% or \$1/m³, depending on tree species and grades, on the exportation of logs in the southern coastal part of the province (1\$/m³ for logs in the interior part or northern part of the province).

<Problems under International Rules>

Since export prohibitions or restrictions are implemented as measures to protect the domestic industries, they are highly likely to be in violation of GATT Article XI: 1. Although the measure is that of a local government, pursuant to Paragraph 12 of GATT Article XXIV, the Canadian government is fully responsible for the observance of all GATT provisions. Through multilateral and bilateral consultations, Japan is urging the Canadian government to correct the measure.

<Recent Developments>

The Fee in lieu of domestic manufacture on logs in the southern coastal part of the province was increased in March 2013, and the amount obtained by multiplying the tariff rates (5-15%) by a coefficient (a value between 1.0 and 1.5; calculated every three months) calculated based on the differences between export prices and domestic prices is being levied. (The coefficient of 1.2 was applied for the period between January and March 2016).

B. TARIFFS

HIGH TARIFF PRODUCTS

***This particular case was included in light of the following concerns despite it being a trade or investment policy or measure that does not expressly violate the WTO Agreements or other international rules.**

<Outline of the Measure>

Canada's current simple average bound tariff rate for non-agricultural products is 5.3%, a somewhat higher rate than those of Japan, the United States and the EU. The bound tariff on clothing (maximum 18%) and unbound tariff on ships and tankers (maximum 25%) are examples of high tariffs. The binding ratio for non-agricultural products is 99.7%.

<Concerns>

High tariff rates themselves do not, *per se*, conflict with WTO Agreements unless they exceed the bound rates. However, from the viewpoint of promoting free trade and enhancing economic efficiency, it is desirable to reduce tariffs to their lowest possible rate.

<Recent Developments>

Market access negotiations in the DDA for non-agricultural products are ongoing and include negotiations on reducing and eliminating tariff rates. In addition, with the aim of increasing the number of items subject to elimination of tariffs on IT products, ITA expansion negotiations were launched in May 2012 outside the Doha Round negotiations and an agreement was reached in December 2015. Elimination of tariffs on 201 subject items is planned to start in July 2016 (see (2) "Information Technology Agreement (ITA) Expansion Negotiation" in 5. of Chapter 5, Part II for details).