

GENERAL AGREEMENT ON **SECRET**  
TARIFFS AND TRADE

No. 003  
SECRET/314/Add.2  
12 March 1986

Original: English

ARTICLE XXVIII:5 NEGOTIATIONS

Schedule XX - United States of America

Article XXVIII:3 Notification by Canada

The following communication, dated 11 March 1986, has been received from the Permanent Mission of Canada.

On 1 January 1985 Section 117 of the U.S. Trade and Tariff Act of 1984 became effective which resulted in the increase of the applied rate of duty from 20 cents per U.S. gallon to 35 cents per U.S. gallon on reconstituted orange juice imported into the United States of America. The duty increase was implemented without the United States initiating negotiations contemplated by Article XXVIII(I).

On 11 June 1985 the Government of the United States of America notified the GATT Contracting Parties that it had modified the concession on orange juice in Items 165.30 and 165.35 in Schedule XX - United States of America and that it was prepared to enter into consultations or negotiations in accordance with the relevant provisions of Article XXVIII (reference SECRET/314 ).

The modification to the two above-mentioned concessions consisted of the creation of four new tariff items, namely 165.27, 165.29, 165.32 and 165.36. The two latter items do not alter the scope of the previous concession on citrus juices other than lime or orange juices. However, the previous concession in respect of unconcentrated orange juice (former tariff Item 165.30 bound at 20 cents per U.S. gallon) was altered to the extent that reconstituted orange juice is now covered by new tariff Item 165.29 bound at 35 cents per U.S. gallon.

According to import statistics provided by the United States, Canada has principal supplier interest under former Item 165.30 (which covered citrus fruit juices, unconcentrated other than lime). Based on statistics provided by the United States, the average annual imports from Canada under Item 165.30 during the relevant period 1982-83-84 were valued at approximately \$3.0 million U.S. or 69 percent of USA imports from GATT Contracting Parties. For the same 3 year period, average annual imports from Canada of unconcentrated orange juice can be estimated at a value of \$2.3 million U.S. based on USA data. In the period January-October 1985, according to USA import data, imports of unconcentrated orange juice from Canada under new Item 165.27 declined to approximately U.S. \$508,000, representing an estimated annual decrease of approximately U.S. \$4.2 million from the 1984 level of U.S. \$4.8 million.

Following the USA notification, Canada notified the United States by letter dated 5 August 1985, with copy to the GATT Secretariat (uncirculated), of its claim of interest in the modification of the concession as principal supplier and requested the USA to make proposals in order to maintain the general level of reciprocal and mutually advantageous concessions.

Subsequently, Canada and the United States on two occasions, reached agreement to extend the time period set forth in Article XXVIII, paragraph 3 as set out in letters to the Secretariat dated 11 December 1985 and 6 February 1986 (SECRET/314/Add.1).

The United States has not offered compensatory adjustments in response to the Canadian requests as envisaged by Article XXVIII:2.

Therefore, as provided in paragraph 3 of Article XXVIII, Canada hereby notifies the modification of the bound rate in the Canadian GATT schedule on the item listed in the attachment. The attachment also sets out import statistics for the most recent three year period for this item, including imports from countries other than the United States.

In the absence of a satisfactory settlement, the modification of such concession by Canada will take effect thirty days from the receipt of this notice by the Contracting Parties.

Item On Which Bound Rate Is Modified Together  
With Relevant Trade Statistics

SCHEDULE V - CANADA

<u>Tariff Item Number</u>	<u>Product Description</u>	<u>Existing Bound Rate of Duty</u>	<u>New Bound Rate of Duty</u>
8725-1	Vegetables, fresh, in their natural state, the weight of the packages to be included in the weight for duty: Mushrooms, N.O.P.	4.5 cents per pound but not less than 10 percent	15.6 percent

The United States possesses an initial negotiating right with respect to the existing concession.

Imports of Fresh Mushrooms into Canada by Country under Item 8725-1  
(in Canadian Dollars)

<u>Country</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>3 Year Ave.</u>
Belgium and Luxembourg	0	0	3,078	1,026
France	4,998	14,794	21,069	13,620
Italy	1,821	2,186	35,174	13,060
Netherlands	781	4,631	2,697	2,703
Hong Kong	450	0	0	150
Ecuador	2,471	0	0	824
United States	2,993,464	4,288,305	6,196,798	4,492,856
Total	3,003,985	4,309,916	6,258,816	4,524,239