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Trade and Development:
Canadian Tariffs and the Least Developed Countries

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Abstract

This paper reviews the impact of Canada's tariff reforms in favour of Least Developed Countries (LDCs) on LDC exports to Canada. It maintains that several LDCs were able to take advantage of the reforms. Even countries with negligible trading relationships with Canada experienced some impact. Using Afghanistan as a case study, the paper notes that small exporters may be at a disadvantage when trying to access duty-free treatment.

Keywords

Canada; trade preferences; import tariffs; LDCs, Canadian Foreign Policy.

1. Introduction*

Until the early 2000's, the combination of high taxes/tariffs on imports from Least Developed Countries (LDCs), and Canada's historic tendency to source imports from traditional trading partners—the US, Europe, to a much lesser extent the Caribbean—made Canada a less than desirable destination for LDC's low cost labour intensive exports.

In 2001, about 60% of the value of LDC imports, mostly textile and apparel entered Canada taxed at the MFN tariff peak of between 18–20%.[1] The import duties protected Canada's elderly low-cost apparel industries, notwithstanding a growing trend by retailers and manufacturers towards outsourcing to developing countries. Imports from Bangladesh and Cambodia were increasing in the early 2000's, but overall there was so little trade coming in from the LDCs, that few people realized the punitive nature of the tariffs.

The tariffs were paid by local importers, not by the LDCs, but they raised the price of LDC exports, making many uncompetitive with higher cost, lower taxed imports. Even in the early 2000's there was little expectation that the LDCs would benefit from lowered tariffs; the end of the Multi-Fibre Arrangement (MFA) was in sight (2005), the quotas that limited textile and apparel imports were to be removed, and while Canadian low-cost apparel manufacturers saw the writing on the wall, it was expected that China, not the LDCs would benefit from the end of the MFA.

In the early 2000's Canada, the EU and several other developed countries were engaged in persuading developing countries to buy into a proposed new WTO round of multilateral trade negotiations, the Doha Round. Canada was also hosting the G8 at the Kananaskis summit in 2003 and looking for leadership initiatives. The combination of high tariff barriers in textiles and apparel, and the importance of enhanced market access to developing countries made the tariff protections a temporary if useful tool of Canadian Foreign Policy.

Developing countries needed considerable persuasion to buy into the Doha Round, largely because the envisaged benefits of the previous, Uruguay Round had not materialized for them. Developed countries belatedly stumped up technical assistance to help with implementation of the Uruguay Round, and several improved market access for LDCs as an incentive. Ultimately developing countries did "buy into" the Round, but while Doha produced a useful Trade Facilitation Agreement, it fell apart on the other big developing country concern, the problem of subsidies in agriculture. What was lost in that failure was the second big potential gain from the Round after Trade Facilitation—the liberalization of apparel and footwear markets. Initiatives in support of LDCs assume even more importance in this scenario, because apparel and footwear, are usually "first tier" labour intensive, low-investment manufactures. Industrializing countries, in particular low-income countries[2] often begin with production of apparel and footwear before growing into capital intensive industrialization.

The EU and Canada, early liberalizers, offered the deepest liberalization to LDCs. 97% of Canada's tariff lines were already at low or zero levels of duty; the remaining 3% were clustered around textiles, apparel, footwear and supply managed products of dairy, poultry, and a small number of agri-processed foods.

In the 2003 Kananaskis Initiative, Canada, following the EU's 2001 *Everything But Arms Initiative* dropped tariffs on all LDC imports to zero, except supply managed, dairy, poultry, eggs. Canada's initiative was supported by generous Rules of Origin, the criteria for determining whether a product was

* Thanks to Fabienne Leclerc, Abigail Tremblay, and Thomas Sinclair for their respective comments and calculations.

1 Author's calculations based on the Canadian International Merchandise Trade Database and data from Statistics Canada.

2 See Keane and te Velde, *The Role of Textile And Clothing Industries in Growth and Development Strategies*, ODI, 2008.

made in, or could be deemed to come from, the country of export. Adjustment support was provided to affected parts of the Canadian industry.

The liberalizations coincided with a new wave of export-led growth in Asia. From the late 1980's onwards production of low cost, high skilled, labour-intensive goods, particularly textile and apparel, was ramping up in some Asian LDCs financed by South-East Asian investment and local capital. Investments in LDCs from China, Taiwan and South Korea were taking place in Asia, Africa and the Americas. And an old message on the importance of export-led economic growth for development was being re-enforced by global development institutions.

This study reviews the Canadian Tariff as it applies to LDCs. Its intent is to determine whether LDCs benefitted over the last 17 years from a series of measures intended to improve their market access to Canada. We will review the data on Canada's liberalizations and assess their impact on LDCs, including whether the Canadian market is open to LDCs or whether, as in the past, high tariffs on products in which LDCs have a measure of comparative advantage continue to impede export growth.

We avoided the usual starting point of policy discussions, the per cent share of Canadian trade as a criterion. Canada's imports from LDCs have grown in the last thirty years, but they remain quite low relative to total Canadian imports. LDC exports to Canada in 2017 represented just under four billion dollars or around 1% of total Canadian imports (or more colloquially, about two hours of Canada-US trade).

The analysis that follows focuses on subsets of LDCs, defined in terms of their geopolitical importance or in terms of Canada's role as a destination for their exports. We excluded countries whose exports relied heavily on unwrought minerals or metals, e.g. Guinea, the Democratic Republic of the Congo, Angola. In total, the countries selected represented about 86% of least developed country exports to Canada in 2017.

Trade data are from the Canadian International Merchandise Trade Database which provided 100% of import data while duties are sourced from a dataset provided on request by Statistics Canada, with a slightly smaller country coverage. The analysis is based exclusively on merchandise trade and does not include services or re-exports.

2. Canada tariff policy and the LDCs

In 2003 Canada had a limited number of preferential arrangements under which some imports from developing countries could enter the market at tariffs lower than the MFN. These included the General Preferential Tariff (GPT) which until 2012 included all self-identified developing countries, and the Least Developed Countries Tariff (LDCT).[3] Beginning in 2003, Canada instituted a series of reforms to the LDCT. On January 1 2003, Canada dropped tariffs against LDCs to zero on everything except dairy, poultry, eggs. Rules of Origin (the percent of the good that needs to be produced in the country to qualify for duty-free treatment) were dropped from the GPT rate of 60% to a new LDCT rate of 40%. LDCs could also source a large percent of inputs from any other GPT (read developing) country and Canada.

Since then Canada amended the LDCT regulations to make it easier for LDC exports to access the Canadian market. In 2013 it dropped the sourcing requirement for apparel from 40% to 25%. Recent changes also allowed LDCs to source from any FTA partner country. In 2017 Canada amended the Rules of Origin for some tariff lines, enabling Haiti to export some apparel items made with US textiles. Table 1 summarizes Canada's reforms.

[3] "Preferential" in this paper includes non-reciprocity

Table 1: Selected tariff measures

Year	Reforms	Target Countries
2003	The Kananaskis Initiative	All Least Developed Countries except Myanmar. GPT stipulation of in-country production of 60% of the good dropped to 40%
2013	GPT Graduation China and high-income countries graduated from preferential treatment	GPT list "grandfathered" to ensure that LDCs could cumulate with all original GPT beneficiaries including China
2013	Tariffs on Baby Clothes dropped to zero	All countries
2013	Tariffs on machine parts dropped to zero	All countries
2015	Myanmar included in LDCT for tariff purposes	Myanmar
2015	LDCT Cumulation dropped from 40% to 25% for apparel imports	All LDCs
2015	Yarns, threads, fabrics made duty-free on an MFN basis and included under cumulation	All LDCs
2017	Cumulation with US-cut fabric permitted for some tariff lines	Haiti
2017	Cumulation with "any FTA partner"	All LDCT and GPT countries

Source: Canada Gazette various years

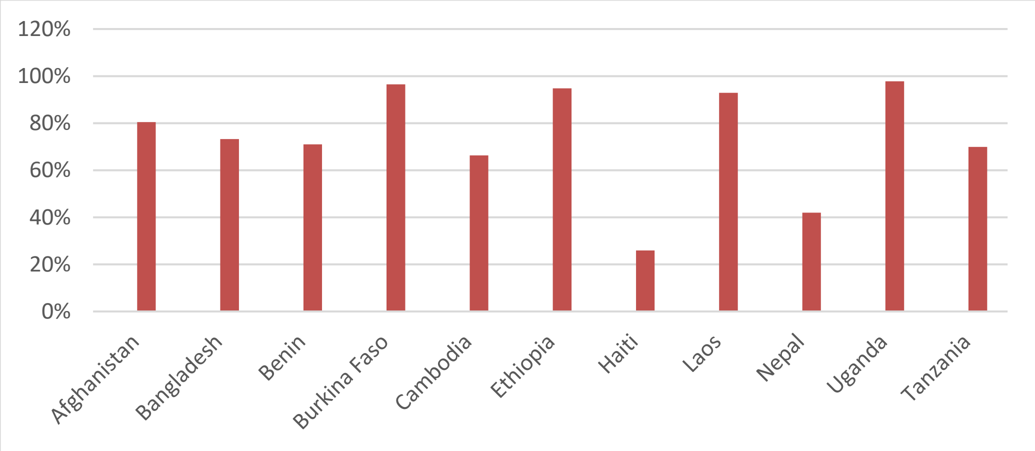
The upshot of these reforms was that by 2017 aggregate tariffs were at an all-time low for LDCs. In 2001 about 60% of (the minimal) LDC trade entered Canada hit with a tariff peak of 18–20%. As shown by Table 2, aggregate tariffs were significantly reduced even as exports grew rapidly from some LDCs. Duties on countries whose trade showed no particular response to the reforms (Uganda, Tanzania, Burkina Faso, Benin) were also low. Figure 1 shows instead that the percent trade entering at 0% duties has risen significantly from the 2001 period.

Table 2: Aggregate Duties and Imports of Select LDCs, 2017

Country	Duties
Afghanistan	1%
Bangladesh	2%
Benin	2%
Burkina	0%
Cambodia	2%
Ethiopia	1%
Haiti	9%
Laos	1%
Lesotho	6%
Nepal	2%
Uganda	0%
Tanzania	1%

Note: Data for Liberia were not available at time of writing. **Source:** Statistics Canada, Canadian International Merchandise Trade Database. Data Provided to the Author

Figure 1: Share of trade entering Canada at zero-rated import duties, 2017



Source: Statistics Canada, Canadian International Merchandise Trade Database. Data Provided to the Author

Impact of the tariff reforms on selected countries

We focus here on a subset of LDCs which were selected because they responded to the reforms of the Canadian Tariff. We chose them based on data on *their* exports to Canada as a share of *their* global exports (see Table 3).

Table 3: Selected Countries' Exports to Canada As A Share of *Their* Total Global Exports 2017

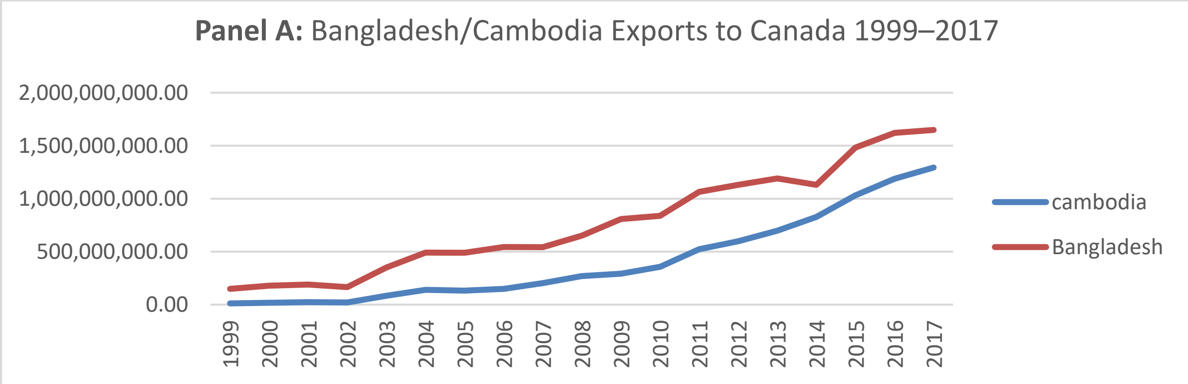
Country	Exports to Canada over total exports (%)
Cambodia	8%
Liberia	7%
Bangladesh	3%
Haiti	3%
Lesotho	2%
Ethiopia	1%
Laos	1%
Myanmar	1%
Nepal	1%

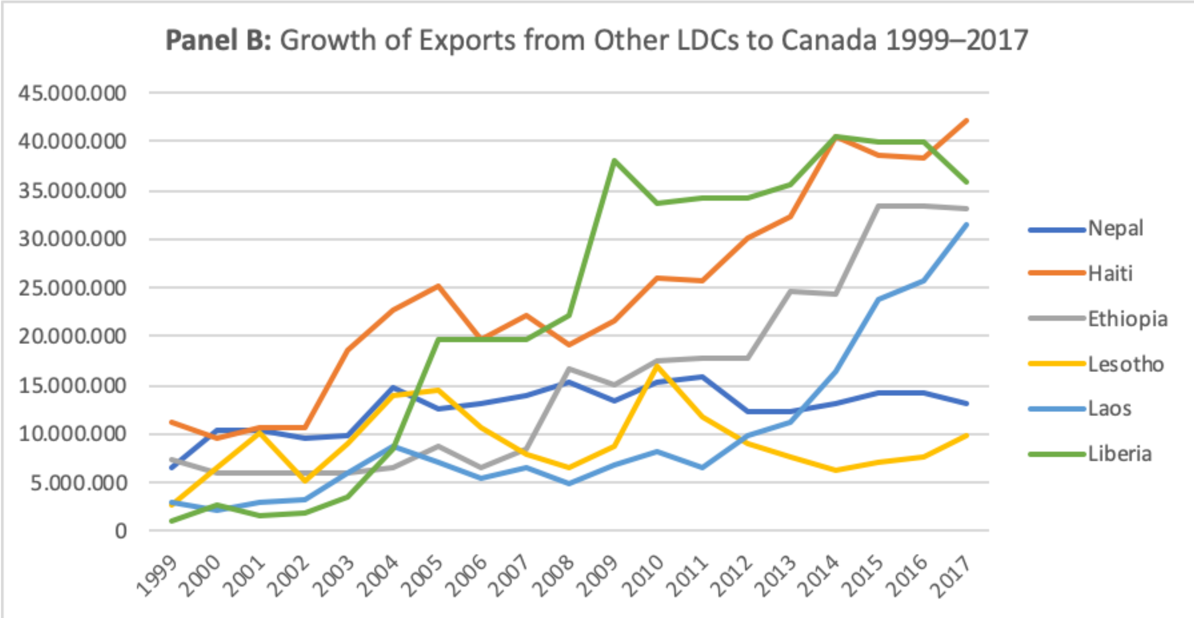
Source: Author's calculations based on WTO Statistical Data and Canadian International Merchandise Trade Database. Data for 2017.

While the percent share of trade remained small for most of these countries, it is noteworthy that in 2017 Canada's exports under the Canada-EU FTA amounted to 8% of Canada's total exports; Canada's share of exports to South Korea was 1% of total exports. Small is not necessarily insignificant.

The data also suggest that the years 2003–2009 were a watershed period for the exports from at least nine LDCs (see Figure 2 and 3). Importers knew that the liberalization was coming (Jan 1, 2003) and there was a significant jump in imports beginning in 2003 as Figure 3 plotting year-over-year growth and Table 4 demonstrate. Growth was greatest for Bangladesh, Cambodia, and Liberia, the big winners of the 2003 initiative, but smaller exporters, Haiti, Ethiopia, Lesotho also benefitted. From a pre-2003 position as relatively small exporters, Bangladesh and Cambodia are currently ranked as the third and fourth biggest exporters of apparel to Canada[4] and Bangladesh was ranked by the *2018 State of Canada's Trade* as one of Canada's fastest growing export markets, suggesting that the benefits were mutual.

Figure 2: Growth of LDC Exports to the Canadian Market

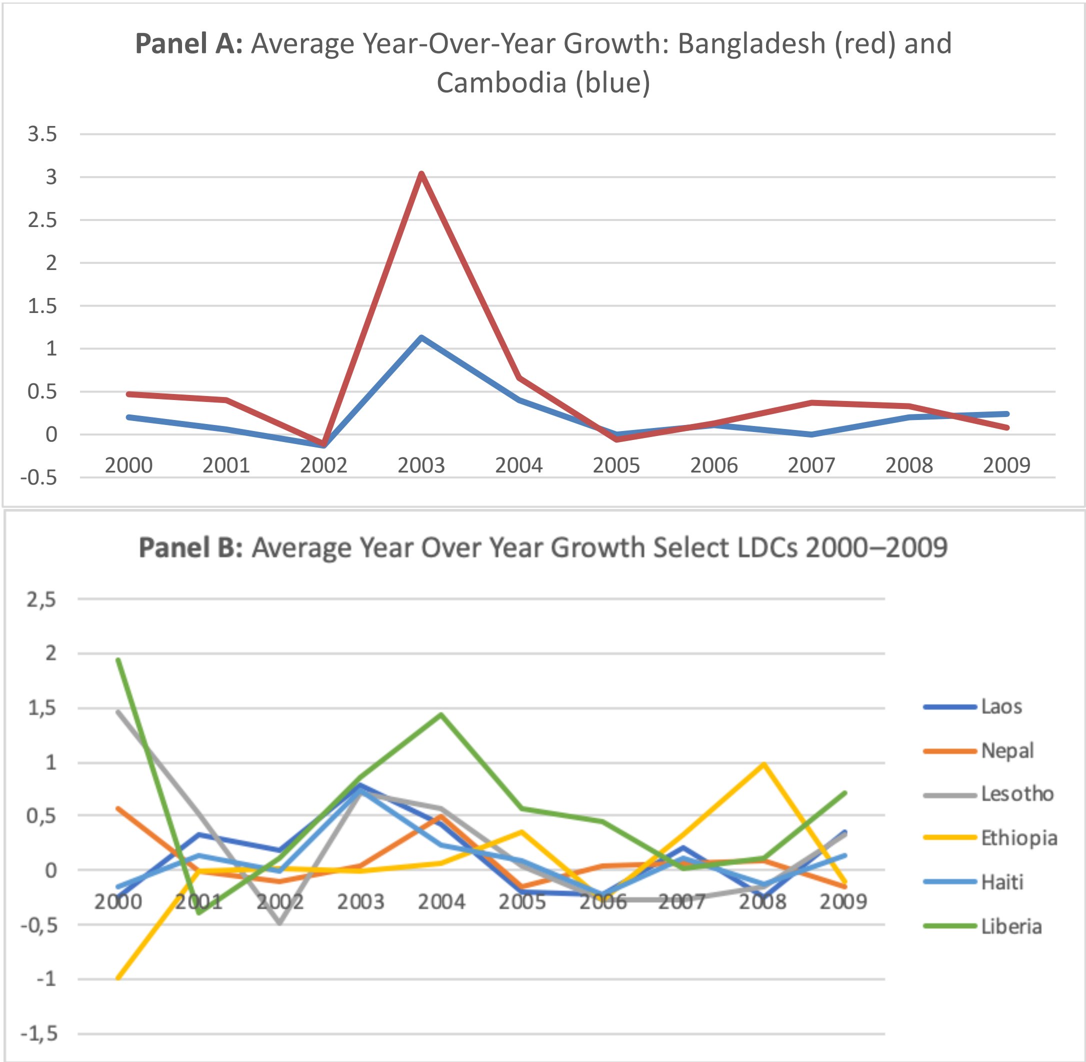




Source: Statistics Canada, Canadian International Merchandise Trade Database.

4 WITS. At: https://wits.worldbank.org/CountryProfile/en/Country/CAN/Year/LTST/TradeFlow/Import/Partner/by-country/Product/50-63_TextCloth; WTO Statistics

Figure 3: Trade growth rates, selected LDCs



Source: Statistics Canada, Canadian International Merchandise Trade Database.

Table 4: Growth in LDC Exports to Canada (various years)

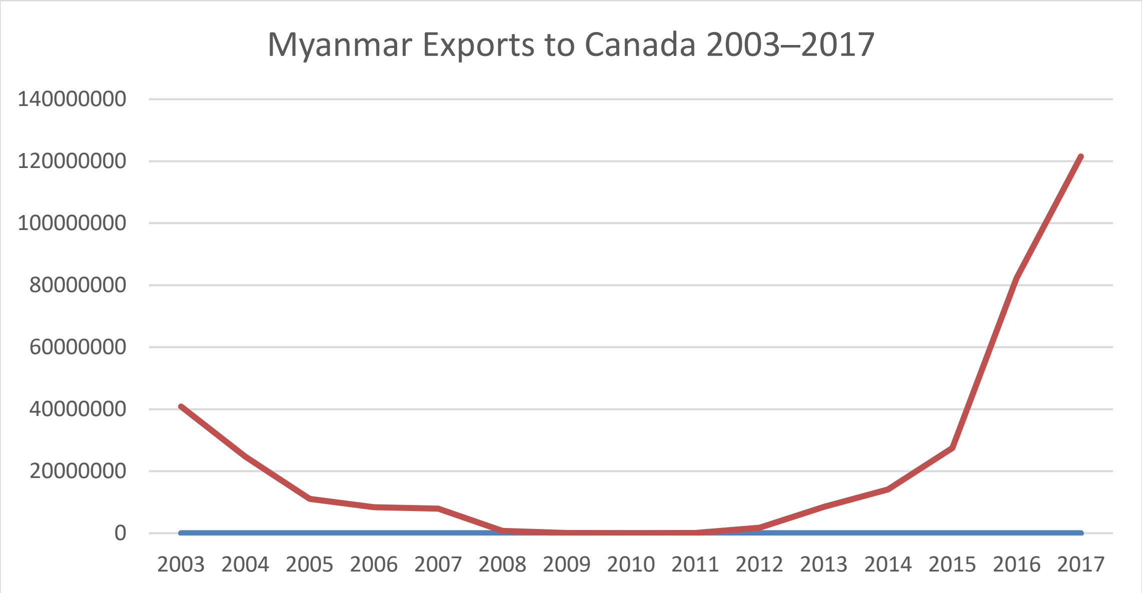
Country	YoY Average, 1999–2002 %	2003 impact %	YoY 2003–2017 %
Bangladesh	4	113	22
Cambodia	25	304	86
Nepal	16	(2005) 50	10
Laos	9	79	17
Lesotho	50	55	30
Ethiopia	-33	(2004) 6	-2
Haiti	-1	18	12
Liberia	55	(2004) 140	30

Source: Statistics Canada, Canadian International Merchandise Trade Database.

In 2017 these countries still maintained a credible foothold in the Canadian market. From 2010 onwards, Ethiopia demonstrated a decline in raw and processed food which more recently is being counterbalanced by export diversification in the form of footwear exports. After a volatile start to the 2010's Lesotho appeared to benefit from the 2015 reforms moving towards a more stable export profile.

As shown in Figure 4, Myanmar has a trajectory that again demonstrates a correlation between tariff liberalization and increase in exports. Myanmar was excluded from LDCT treatment until internal reforms led to democracy and a short period of stability in the country. Myanmar's trajectory shows both the impact of being excluded from LDCT treatment, the beginnings of a recovery in 2012 and a rapid rise in exports when in 2015 Myanmar was included in the LDCT.

Figure 4: The case of Myanmar



Source: Statistics Canada, Canadian International Merchandise Trade Database.

Non-LDC exporters in the LDC neighbourhood did not exhibit the 2003-related growth spurt. Pakistan, Indonesia, Honduras, were all exporting apparel to Canada in 1999. Honduras' exports fell to -24% in 2003 with a year-over-year average of 1% between 2003–2009. Pakistan's exports fell by -5% in 2003, and the year over year average was between 2003–2009 was -32%. Indonesia's exports fell by -4% in 2003 and the year-over-year average grew to just 2% between 2003–2009. The increased margin of preference between non-LDCs and LDCs may have created some trade diversion in 2003 but that margin of preference decreased significantly in the 2010's and does not necessarily account for the current slower performance of these non-LDC apparel exporters.

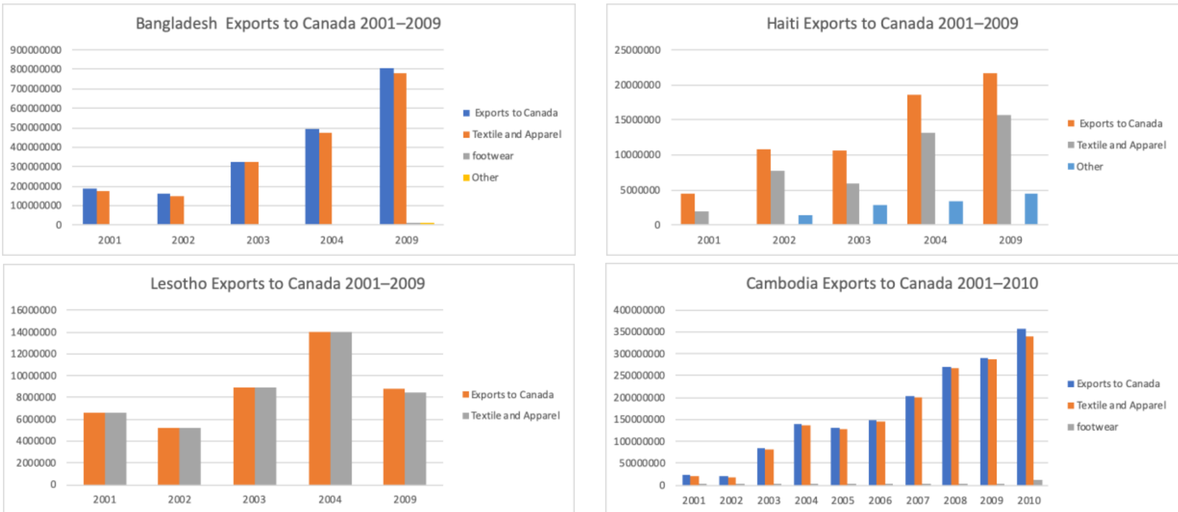
So far, the 2003 reform appears to have had the greatest statistical impact on LDC trade, although several others, particularly traceability (duty-free treatment for yarns, zippers, fabrics) and the 25% cumulation rule, very likely helped to sustain growth in trade and in one or two cases increase it. Imports from several LDCs grew significantly and those LDCs have continued to occupy a share of the Canadian market. With the exception of Liberia whose trade in plastics also grew, textile, apparel and footwear clusters were the greatest beneficiaries of the changes to the Canadian tariff.

Sector-Specific Growth 2003–2009

Findings so far indicate that liberalization benefited mostly countries that exported textile and apparel with the exception of Liberia and Ethiopia. They may also show that it was the larger exporters, possibly those already integrated into Global Value Chains that benefitted. The countries that were able to take advantage of the comparable EU *Everything But Arms Initiative* were almost identical to beneficiaries of Canada's market opening.

While Bangladesh and Cambodia (see Figure 5) lead the pack of beneficiaries, Laos and Nepal also showed gains over time. Haiti (whose exports to Canada are plotted in the upper-right quadrant of Figure 5) also registered increases in exports to Canada that appeared to be correlated with both 2003 initiative and subsequent efforts towards more flexible Rules of Origin, including a 2017 initiative that allowed some cumulation with US-cut fabric. In Africa, Lesotho, Liberia and Ethiopia were the main beneficiaries, Lesotho (lower-left quadrant in Figure 5) ramping up clothing exports, Liberia plastics, Ethiopia raw and prepared food, much of which would have already enjoyed Duty-Free and Quota-Free (DFQF) access, and more recently in footwear.

Figure 5: Exports' sectoral dimension for 4 selected LDCs

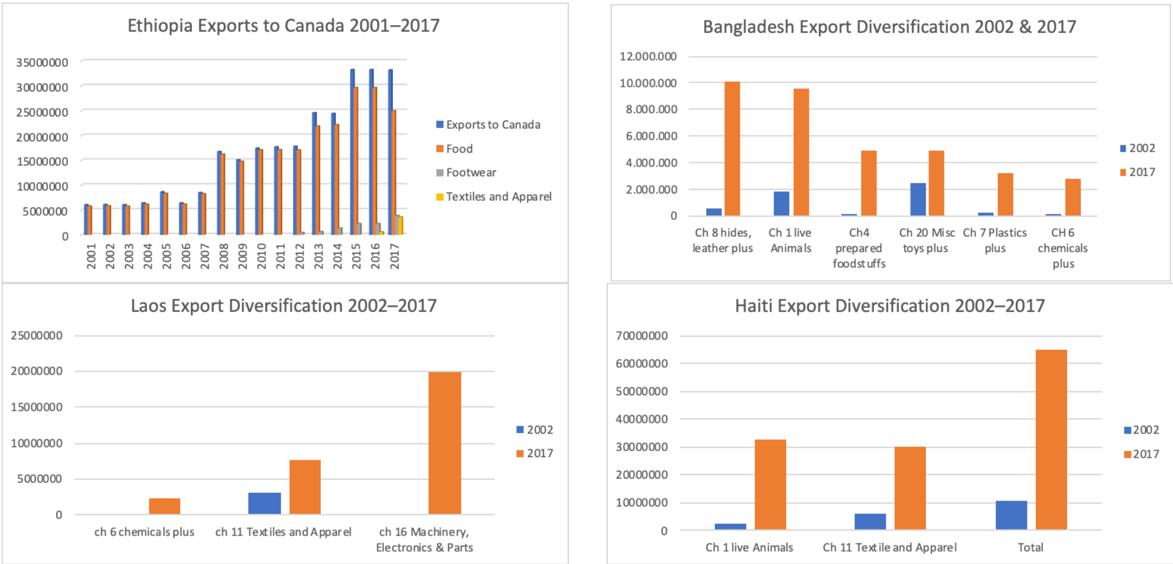


Source: Statistics Canada, Canadian International Merchandise Trade Database.

Export Diversification 2002–2017

Some countries show evidence of export diversification, to a greater or lesser degree. The big diversifiers were Bangladesh and Cambodia, but Laos, Ethiopia and Haiti also exhibited a degree of diversification. In Laos the apparel sector led growth until 2016 when growth in exports of chemicals and machine parts and electronics overtook growth in the apparel sector. The four charts below provide evidence of these patterns.

Figure 6: Export diversification



Source: Statistics Canada, Canadian International Merchandise Trade Database.

Other LDCs

We now inspect a handful of countries that showed little or no responses to the tariff changes and a minimal share of trade with Canada. These countries included three whose trade was dominated by their preferential relationship with the European Union, and Afghanistan which after decades of conflict remained a low investment-destination, low-volume exporting country.

Table 5: Selected Countries' Exports to Canada As A Share of *Their* Total Global Exports 2017

Country	Exports to Canada over total exports (%)
Uganda	0.04%
Afghanistan	0.03%
Tanzania	0.02%
Benin	0.01%

Source: Author's calculations based on WTO Statistical Data and Canadian International Merchandise Trade Database. Data for 2017.

There is little to no evidence of a sustained upswing of exports to Canada after the 2003 initiatives and subsequent reforms, even though at least two of these countries were exporting textiles and apparel at the time. The amount of trade of all these countries was extremely small. In 2009, Uganda exported $2.5 million to Canada. Post 2003, Uganda showed a small spike in imports of vegetables, live animals, and machinery but the trend was not sustained through to the end of the decade. Similarly, Tanzania which exported about $3.5 million to Canada in 2009 saw a small uptick in exports of textile and apparel, but this too was not sustained to the end of the decade. There was an increase in imports of vegetable products towards the end of the decade. Benin and Burkina Faso registered very few exports to Canada overall. Burkina Faso's main exports continued to be in vegetables and prepared food; Benin showed no great responsiveness to the 2003 tariff reform although exports rose from around $2000 in 2009 to $600000 in 2017. Exports were distributed between vegetables, cosmetics, and plastic articles, suggesting some modest reaction to improved market access.

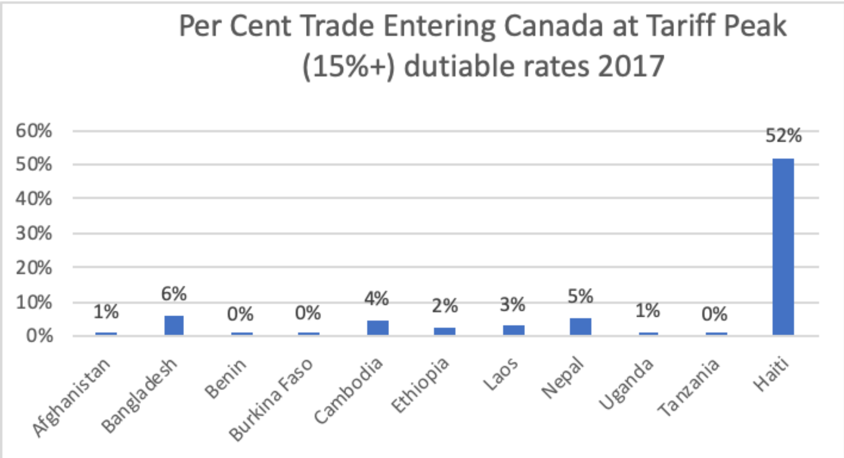
There are any number of reasons why these countries did not take advantage of tariff reform They include: a) reliance on the EU as an export market; b) absence of investment c) lack of export preparedness. These issues are outside the scope of this study. The questions that concern us here are a) whether there are still tariffs that impede market access b) whether countries can take full advantage of the liberal terms of entry offered by the LDCT.

Zero Duty All Round?

For this part of the study we utilized data on duties provided by Statistics Canada, 2013-2017 i.e. data from the six-digit HS Codes within the tariff. We were required to provide a list of every tariff line that we wanted to review. A note on the percentage of trade reviewed for each LDC is attached at Annex 1. In aggregate we reviewed 92% of the selected LDC exports to Canada, a maximum of 4,000 tariff lines per country, 10 countries, over a five-year period. Myanmar was excluded because it was a very recent beneficiary. We were unable to obtain data for Liberia.

A review of duties of 11 Least Developed Countries 2013–2017 suggests that duties were minimal. There still existed a grab bag of duties ranging from 4–25% on small amounts of trade. Our surveys of various countries showed that in 2017 importers of goods from Bangladesh and Cambodia paid approximately $27 million and $20 million respectively on goods entering Canada. Tariff peaks still existed on a small percentage of trade.

Figure 7: Tariff Peaks



Source: Statistics Canada Data on Duties Provided to the Author

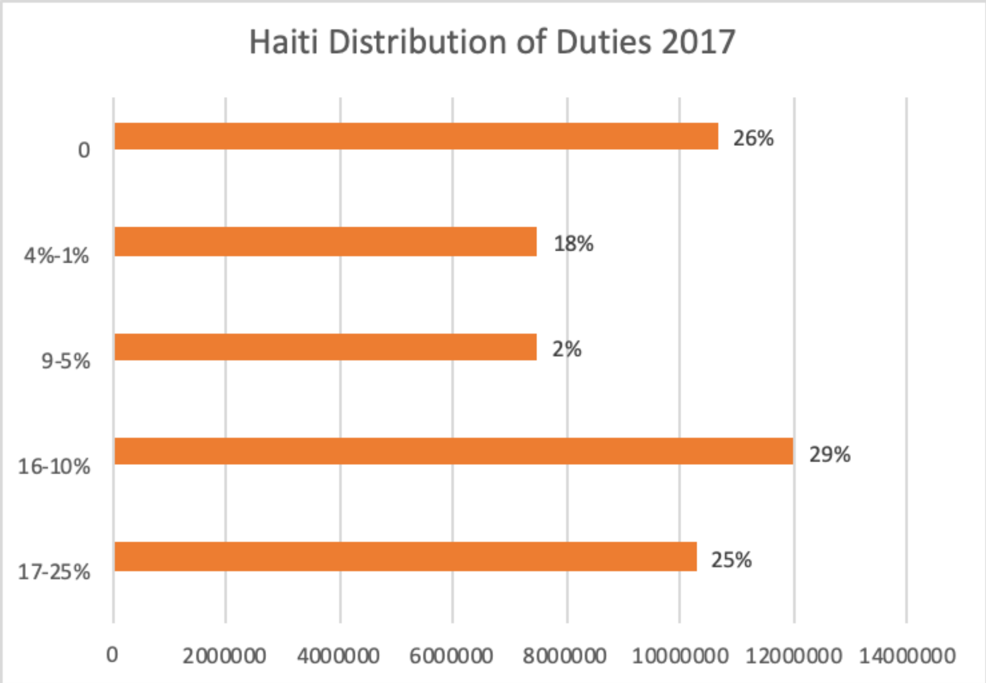
In 2017 the value of trade entering Canada at a zero or low rate of duty considerably outweighed the value of trade entering Canada at a 15–25% tariff peak/dutiable rate. In 2017 95% of the value Laos' exports entered duty-free, including chemical products, machine parts and electronics. 73% of the value of Bangladesh's exports entered Canada duty-free and the export portfolio was diverse albeit with a heavy emphasis on apparel. 66% of Cambodia's exports entered duty-free. Tanzania, Ethiopia, Uganda exported raw food and flowers to Canada, most of which were non-dutiable although some importers of cut flowers from Tanzania and Uganda paid significant duties. At the same time small quantities of apparel and manufactured exports appeared to be hit with tariffs in the 17–25% range.

Haiti displayed a higher rate of duty paid on exports to Canada. For most of the period under review, Haiti did not meet the LDCT made-in-country criterion for apparel because of a longstanding arrangement with the US where fabric cut in the US was sewn in Haiti and the garment either shipped back to the US or exported from Haiti.

In 2017 about three-quarters of Haiti's exports to Canada were met with a tariff. Figure 8 shows that 25% of imports from Haiti entered to a duty of 17–25%, and another 29% were subject to duties between 10–16%. Most of these imports were apparel. In 2018 a reform that enabled cumulation/sourcing with

US fabric for some tariff lines (primarily t-shirts and trousers) was introduced. Exports to Canada jumped from $30 million in 2018 to $39 million in 2019. The jump was primarily in the apparel sector, but it was too early to determine if this was a general growth trend and if that trend was based on tariff reform.

Figure 8: Haiti and duties distribution



Source: Statistics Canada Data on Duties Provided to the Author

One hypothesis for the increase in Haitian exports to Canada, notwithstanding duties was that smaller duties were applied to about half of Haiti's exports. A second is that the costs of production, (read wages) in the apparel sector were sufficiently low to enable Haitian products to be competitive irrespective of the tariff.

Finally, countries and exporters of very small quantities of manufactured exports appeared to be affected by a higher rate of duty on the exports than larger exporting countries or manufacturers. In Bangladesh, where the apparel industry was the largest employer after agriculture, we counted 1810 tariff lines out of a possible 4063 (about 44% of tariff lines) hit by tariff peaks, almost exclusively in apparel and footwear. The highest dollar value was $3,248,027, the lowest $3.00 with a median of $1,175 and an average of $835,329. The high number of tariff peaks on tiny values of exports suggest a threshold issue; the $10.00 import had nothing to certify that it was made in-country so a tariff peak was applied. The higher value exports point to a different issue, not least that exporters either could not or would not certify. This issue raises several questions including whether there is residual protectionism within the LDCT; whether exporters were able to take advantage of the Rules of Origin; and the impact of the tariff on the wages of the mostly female work force.

There were very few or very small duties in the categories of vegetable products and prepared foods, except possibly for small quantities of cut flowers. There was some evidence from several countries that products made from refined sugar were subject to high tariffs (in one instance a 90% tariff), and some small evidence that imports of alcohol could also be subject to high duties. The evidence on rum from Haiti was inconclusive at least within the confines of this study.

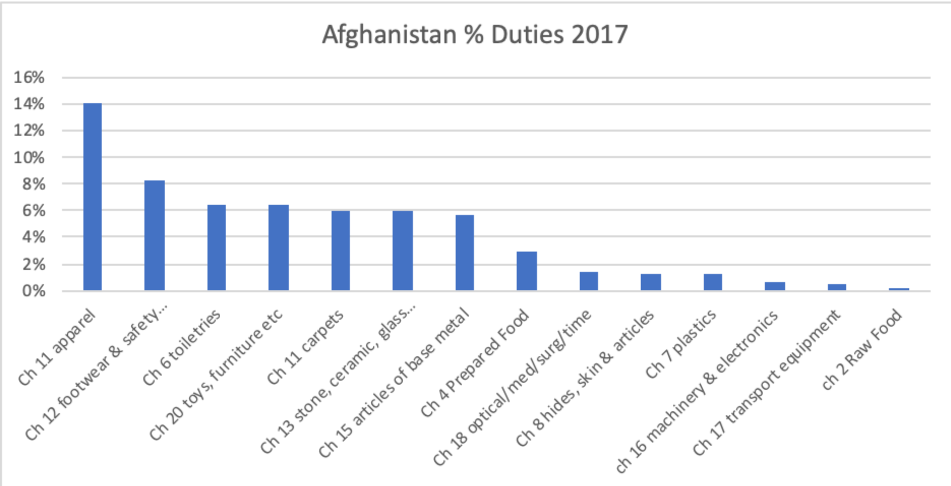
The case of Afghanistan

For all countries, small quantities of manufactured exports to Canada appeared to attract tariffs. Afghanistan was the example where the twin issues of a) duties paid by small producers and b) small non-GVC integrated countries were most evident. Afghanistan was a particularly poignant example of need to address the problem of small exporters confronted with the requirements of the LDCT because duties were clustered in the low-end and/or cottage industries of textiles and apparel, a sector where employment was primarily female.

In 2017 Afghanistan exported a minuscule, easily overlooked, $3.7 million to Canada. We reviewed $3.1 million, or about 83% of that trade. Afghanistan's primary export to Canada was food most but not all of which entered at a zero tariff (see Figures 9 and 10 below).

Figure 9: Afghanistan exports

Figure 10: Afghanistan duties



Source: Statistics Canada Data on Duties Provided to the Author

In 2017 Afghanistan exported a tiny quantity of textile and apparel to Canada. Chapter 11 textile and apparel exports for 2017 were $416,000 of which we reviewed $412,431 or about 99% of the trade. $387,275 of the trade was carpets (HS 5701.10-5705.00), the remaining $25,000 were apparel

(HS6101.20-6506.10/ $25,000). Afghanistan was the only LDC reviewed that exported more textiles than apparel to Canada.

In 2017 Afghanistan paid tariffs on a grab-bag of items exported in small quantities. Sugar confectionary, make-up, sinks and washbasins, furniture and some video products, all entered faced with small tariffs and in the case of safety headgear, and ceramic products (sinks etc.) at tariff peaks.

A review of textile and apparel exports showed a considerable degree of tariff escalation in the sector. Carpet-making in Afghanistan is a sector dominated by women; apparel production is similarly female-intensive. The items surveyed were not designated re-exports in the Canadian Tariff, and it is unlikely given the duties that there would be a high volume of re-exports coming from Afghanistan. This report assumes that these exports were the products of very small enterprises, operating in a difficult and sometimes impossible context. We know very little of why the duties were so high, not even if exporters were able to complete the Certificate of Origin required by the LDCT.

Moderate to high duties increased the costs to Canadian consumers, and possibly made the Afghani carpet and apparel industries uncompetitive with higher cost, higher volume producers. As the textile and apparel sector has been key to LDC growth in so many countries it may be that this level of taxation of textiles and apparel, may impede Afghani efforts to create an enabling environment for growth. A list of key products imported from Afghanistan and the respective duties paid by importers is given in Table 6.

Table 6: Key imports from Afghanistan and duties

Item	Value of Trade	Average Tariff	Tariff Range
Carpets	$291,218	10%	14%-6%
Apparel	$20,174	15%	18%-15%
Apparel*	$706	17%	22%-9%
Total	$312,098	14%	

*Exports Under $100 **Source:** Statistics Canada Data on Duties Provided to the Author

We have seen elsewhere the huge responsiveness of exporting countries to the elimination of tariffs, particularly for textile and apparel products. Elimination of the tariff on Afghani exports could help stabilize small industries and help struggling exporters. Elimination would be important to the carpet and apparel sectors both of which are dominated by women working in difficult circumstances. Elimination of all tariffs on Afghani imports might create in Afghanistan a better enabling environment for investment, particularly if other countries followed suit. And it would promote a strengthened coherence between trade, development and security in a country where Canada has intervened militarily, invested in economic development, and where Canadian lives have been lost.

The issue of taxing small-value imports is not exclusive to Afghanistan. The pattern of tariffs on small-value exports is repeated amongst the LDCs and is germane to smaller African and Asian exporters, Uganda, Tanzania, Nepal, and smaller-value exports from Bangladesh.

Recommendations and Options

Possible options for addressing the problem of high duties on small imports include addressing the threshold issue for tiny-volume exports intended for domestic use; and/or going bigger and addressing the problem of small exporters. Amongst the many options the following may be applicable:

1. Drop all tariffs on imports under a threshold of $1000, i.e. address the issue of tariffs on goods for personal use; or
2. Drop to zero all tariffs on imports of $100,000 of less i.e. treat them as nuisance tariffs.
3. Create a single transformation rule of origin for the LDCs to allow textile imports from all sources, as recommended by the Canadian Apparel Federation CAF.[5]
4. Eliminate as recommended by CAF the requirement for certification altogether.
5. Drop tariffs to zero for exporting countries where the per capital GDP is below a certain threshold, e.g. USD900 or
6. Provide technical support to help small exporters in small countries a) meet the requirement of the Rules of Origin, b) health and safety standards and c) enable them to prove (fill out the paperwork) that they have met the requirements of the LDCT.

The longstanding debate on the elimination of the Canadian tariff is relevant to this discussion.

Impact of the LDCT liberalization on Canada

The tariff reforms of the last two decades have been a win-win situation for Canada. It is likely that the drop in tariffs was reflected in low pricing for apparel. In 2015, The Canadian Apparel Federation noted that “Retail prices for clothing as measured by the Consumer Price Index (CPI) trail all other major commodities that make up the CPI. [...] Prices for clothes declined by 10 % over the decade 2002–2012 even as prices for other commodities increased by 10–40% percent over the same decade.”

The reforms also contributed to import diversification; an issue that assumed increasing importance as the US market became more unstable. Canada has named Bangladesh as one of its top new export markets. This means that Bangladesh’s economic transformation has reached the point where prosperity of many people has created a market for goods and services, the classic win-win situation of market liberalization – both countries have grown and they are buying and selling each other’s’ goods and services, creating wealth between nations.

Canadian apparel manufacturing is adjusting to globalization by moving from low-cost cost, labour intensive manufactures to the international high fashion export market, and to production of high value-added products like safety garments. A greater variety and increased quantity of low-priced food from the countries studied is available at supermarkets.

3. Conclusions

The Kananaskis Initiative was gazetted on the same day as the Conflict Diamonds Initiative, January 1, 2003. The Conflict Diamonds Initiative received more attention because it was one of Canada’s first Security Council initiatives; but the market access initiative has been arguably more far reaching because it led to long lasting growth and trade development in a handful of countries. That there is more to be done is clear, but the achievement is notable.

Over the past seventeen years, exports from several LDCs to Canada have grown and diversified, changing the profile of Canada from a traditional market for unprocessed minerals and raw food to a destination for imports of low cost, labour intensive manufactured merchandise. Bangladesh and

[5] Canadian Apparel Federation, Submission on the 2016-17 Budget, https://www.ourcommons.ca/Content/Committee/421/FINA/Brief/BR8126549/br-external/CanadianApparelFederation-e.pdf

Cambodia now rank after China as highest exporters of apparel to Canada, several others show continued growth in exports to the Canadian market.

Canada supports the LDCs in many ways including a large military and development presence in Afghanistan, in rebuilding Haiti, in promoting economic growth in Bangladesh and Ethiopia and so on. Further reducing or eliminating tariffs on LDC exports, particularly for small exporters to Canada is an important part of this work, but it is often a forgotten issue.

Critics of the LDC liberalizations may argue that just a few LDCs benefitted; supporters will maintain that tariff reductions usually benefit just a few countries. Both are right; more could be done to help LDC exporters in the 47 LDCs take advantage of the Canadian market, which is now wide open to them. More could be done to enable small exporters and producers benefit from the LDCT.

But in the absence of multilateral initiatives to open advanced country markets to first tier manufactures from the poorest countries, and with the failure of the Doha Round of Multilateral Trade Negotiations, the results of the LDCT liberalizations are a credible, and important contribution to development through trade.

Annex 1: Per Cent of Trade Reviewed by Country

83%		Afghanistan
92%		Bangladesh
90%		Cambodia
99%		Laos
78%		Nepal
100%		Lesotho
100%		Ethiopia
98%		Benin
95%		Tanzania
100%		Uganda

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