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by Fauzya Moore
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POLICY PERSPECTIVE

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In Bangladesh a garment worker can.... “rise at 4.00 amwork for two hours on household chores then walks for an hour to the garment factory where she works until 10 or 11 o’ clock at night. After another hour’s walk home she spends two hours on housework, after which she lays down at 2. a.m to sleep – for two hours.”¹

Canada’s international feminism focuses heavily on integrating women in international trade. Development of women-run SMEs is a big focus. Unfortunately, Canada has overlooked a bigger issue. Its own protections against exports from heavily female industries in the developing world are some of the highest in the OECD. These industries are some of the highest value exports from developing countries to Canada, and Canada’s tariffs may suppress both trade-led growth and the wellbeing of millions of women in export-led industries in the developing world.

Canada has an opportunity to focus on the issue this fall. Its General Preferential Tariff (GPT) and Least Developed Countries Tariff (LDCT) are under review. Finance Canada is quietly consulting on what to do about least developed countries (LDCs) which could lose zero tariffs if they are graduated from the LDCT. It is also proposing removing/graduating several other countries from GPT tariff preferences. The tariff reshuffle is triggered by UN reclassifications: Bangladesh, Nepal and Laos are no longer considered least developed countries. Several other countries have been graduated from lower middle-income status to upper middle-income status. If Canada follows international practice (it doesn’t have to), these graduations would maintain very high tariffs on exports from many developing countries and they could remove eligibility for zero-tariff treatment from others.

A tariff is a tax on imports. High tariffs can destroy whole industries by increasing prices on goods, rendering them uncompetitive in export markets. Prime Minister Justin Trudeau’s [rapid-fire response](#) to Trumpian tariffs of 10 per cent on aluminum and 25 per cent on Canadian steel exports to the U.S. was in response to that threat. Tariffs also increase prices for consumers and/or depress wages in producing countries. Trudeau’s response was also intended to address the prospect of lower salaries and living standards in Canada.

The Canadian tariff is mostly open to developing countries’ exports except for four areas: tariffs on supply managed products, dairy and poultry; random tariffs that protect specific industries; and high average tariffs (17 per cent) on goods from labour-intensive industries like textiles, apparel and footwear (TAF). There is also a new group of geopolitical tariffs that are intended to reverse China’s dominance over Canadian imports.

Exports from the female-staffed TAF sector are often among the highest value exports from developing countries to Canada. Exporting countries range from Bangladesh, Nepal, Cambodia and Vietnam, to Peru, Guatemala, Sri Lanka and Tunisia. Least developed countries Bangladesh,

¹ Beth English, *Global women's work: historical perspectives on the textile and garment industries*, Journal of International Affairs, Fall/Winter 2013. pg 72



Nepal and Cambodia are eligible for zero tariffs as are Peru and Vietnam because of free trade agreements. However, exports from many other countries, e.g., Guatemala, Sri Lanka, Tunisia, South Africa and Lebanon are subject to duties as high as 17 per cent. And Bangladesh, Nepal and Laos are about to be graduated from the zero tariffs of the LDCT.

In many countries, around 60-80 per cent of the workforce in TAF industries is female. There are centuries-old traditions of underpaying women in these sectors, because female labour was in olden times considered supplemental to male labour. Poor pay and other forms of mistreatment (poor working conditions, long working hours, sexual harassment and age discrimination) continue to be systemic throughout many TAF industries. If tariffs are high, producers will depress wages and working conditions to remain competitive in export markets.

About 65 million women [work in the apparel sector in Asia](#), the highest employer of women in industry. In 2013, *Maclean's* magazine [noted](#) that workers were paid 12 cents to produce a T-shirt sold for \$14 in Canada. If the country is not an LDC, Canada's tariffs will apply. A 17 per cent tariff on a T-shirt with an import price of around \$5.69 may net the government over 96 cents in revenues. HST on the sale price of \$14 nets the government another \$1.82.

Half a century ago, these "pink tariffs" protected TAF industries in Canada from competition. They are no longer needed. Canada has labour shortages, not labour surpluses. Most TAF industries offshored by the 1990s to labour-surplus countries. Canada imports 95 per cent of its apparel. If necessary, the remaining highly specialized five per cent made-in-Canada products can be protected by tariffs on individual tariff lines. Budget 2023 claims that graduating countries will help Canada's FTA negotiations. There is little evidence of that, and alternatives exist. And inflation post-COVID provides a strong economic rationale for reducing pressures on Canadian consumers by leaving LDC tariffs at zero while reducing the tariffs on non-LDC TAF imports.

Eons ago, the GPT (GSP in most other countries) was created to help newly independent developing countries gradually acquire market access to developed market economies. During colonialism, tariffs and taxes suppressed industrialization in many colonies, but not in all dominions. The destruction of the 1,000-year-old cotton producing and exporting businesses in India by the imposition of high tariffs and taxes is an example. Cotton production essentially relocated to industrializing Europe behind high tariff walls. The chakra in India's flag not only represents spirituality, but it evolved from a spinning wheel. One of India's earliest nationalist struggles was to re-shore textile industries to India.

GPT/GSP schemes were flawed from the beginning because most did not address tariffs on TAF industries. For example, Canada never had a GPT on TAF; it had just a general MFN tariff of 17 per cent. Long after independence, tariffs and other trade restrictions in main TAF export markets remained high, either to protect labour in developed countries or to accumulate revenue for governments. In the developing world, they slowed down a critical part of the industrialization in the shift from agriculture to labour-intensive industries.

Consumers in Canada benefited from a 2003 preferential scheme for least developed countries that dropped tariffs to zero and substantially increased imports of TAF items from some LDCs.



By 2017, Bangladesh and Cambodia (which is not yet up for graduation) cut into China's dominance of the apparel market. They substantially increased their market share to 21 per cent of Asian apparel exports to Canada. Loblaw's Joe Fresh line, for example, sources from Bangladesh. Finance Canada will consult on new tariff levels for graduating LDCs Bangladesh, Nepal and Laos, in fall 2023.

While LDCs face graduation to the GPT, another group of countries is up for graduation from the GPT. Guatemala, for example, is eligible. Despite an average 17-per-cent tariff on TAF exports, it has bravely grown these exports to Canada. Graduation from the GPT will simply maintain the 17-per-cent tariff against main Guatemalan exports to Canada. That makes little development sense. Guatemala badly needs more labour-intensive growth to address crime, drugs and illegal migration. Allowing TAF exports from Guatemala and similar countries to enter Canada at minimal or zero duties can help economic growth in exporting countries. It would be a win for both Canadian consumers and geopolitics.

While the UN deems graduating countries to be doing better, their TAF sectors rarely improve at the same pace as other sectors. UN classifications do not take inequality into consideration. Canada's last GPT reform in 2014 used UN criteria to graduate 72 countries off the GPT eligibility list. According to a government spokesman, these countries were "booming and no longer underdeveloped" and didn't need any more of Canada's limited preferences. The 72 included Kuwait, Bahrain and Qatar, which were indeed booming.

However, the graduations also included South Africa, Jamaica, Thailand, Tunisia, Lebanon, Mauritius, the Dominican Republic, Ecuador and the Caribbean small island states. These countries variously experience rampant inequality, youth bulges, nasty geopolitics, chronic unemployment and a lack of broad-based growth. Most have TAF export industries. None of them needed in perpetuity a 17-per-cent trade-stopping or wage-depressing tariff in labour/gender-intensive sectors. After that graduation, a range of non-TAF items from toothbrushes to bikes cost Canadians more. The government netted [\\$312 million in revenues](#), a paltry contribution to an annual budget of \$300 billion.

Finance Canada is [proposing](#) a GPT+ scheme similar to the EU's scheme for graduating countries. It is consulting on a package: a lower tariff in exchange for the right to review labour and environmental standards in eligible developing countries. Graduating LDCs – Bangladesh, Laos and Nepal – are eligible for the scheme and, in a useful move, Finance has selected as eligible some lower middle-income TAF exporting countries: Sri Lanka, Pakistan, Egypt, El Salvador and Kenya.

If the proposed preferential tariff is anything higher than zero, it will have incremental costs to consumers and producers. Pakistan, Egypt and Sri Lanka all export apparel to Canada but so far, their exports are a small fraction of Bangladesh's market share. Further, most exporting countries and SMEs develop industrial clusters by evolving along the TAF spectrum to footwear, headwear and other spin-offs. Non-apparel TAF goods appear to be excluded from the proposed preferential



tariff and that exclusion could mean additional costs to Canadian consumers and businesses and continued low wages to workers. The average MFN tariff on footwear is around 18 per cent.

The existence of such high tariffs on heavily gendered industries, and the limited reforms under consideration, are simply inconsistent with Canada's international feminist initiatives. A more useful approach would be to review the Canadian tariff from a trade and gender perspective with a view to dropping or eliminating most tariffs on TAF imports and maintaining the zero tariff on countries that already benefit from it. Canada could exclude from consideration any countries where there are geopolitical or human rights concerns.

Will low or zero tariffs benefit women workers in the developing world? Low tariffs may result in export-led growth but they do not necessarily translate into higher wages. Traditions of discrimination against female workers and the profit or taxation motives of global value chains and governments are too entrenched.

Stanford University researchers note that in Asia, workers' single biggest concern is wages.² Globally, only two per cent of garment workers make a living wage and most work overtime to make ends meet. Bangladeshi researchers confirm that growth gains in the sector have been achieved by workers putting in vast amounts of overtime. Even with record growth, profits to the industry can be siphoned off further up the value chain, including by governments. Female workers do not necessarily benefit from the growth process.

Responsibility for low wages and poor labour standards is shared between global value chains that often pressure manufacturers to lower prices, importing governments that impose high taxes and producing governments that turn a blind eye to repressive labour practices. Around 60-70 per cent of the value of an apparel item can be accrued outside the producing country in distribution, retail, marketing and taxes. If Canada chooses to initiate labour and environment reviews as conditions for lower tariffs, dialogue with producing-country governments (as per EU practice) is not enough. The CUSMA labour, gender and environment chapters are better alternatives because they do not place responsibility solely on producing countries. Instead, they make room for a whole-of-supply-chain dialogue with multinational corporations and importing and producing countries.

Sharing the responsibility could also provide options for cleaning up environmental pollution caused by TAF industries. And given the severe demand shock COVID-19 delivered to the TAF sector, (exports from LDCs are down from just under four billion in 2017 to just under three billion in 2022), an ILO-style dialogue between all participants along the value chain is long overdue. That dialogue should reach agreement on a quid pro quo on wages – lower tariffs in exchange for higher wages, and agreements to clean up environmental pollution. A real feminist initiative would be to begin an international consultation along these lines.

² Banerjee Saxena (ed) *Labour, Global Supply Chains, and the Garment Industry in South Asia: Bangladesh After Rana Plaza*, Routledge 2020, pg 5



Canada's current tariff policies are simply inconsistent with its trade-must-benefit- gender foreign policy positioning. Female workers, including workers in SMEs, which in developing countries tend to cluster around main export industries, need to benefit from international trade. Finance Canada's proposed reforms go part of the way but there is much more to be considered. The consultations this fall need expert input, public discussion and parliamentary debate. It makes as much sense to ensure that Canada's own trade policies are woke as it does to tell other countries how to do better.³

³ Canadian data in this paper come from a review of 150,000 tariff lines 2013-2017.

► About the Author

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