

October 11, 2022

Yannick Mondy  
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Department of Finance  
Ottawa, ON K1A 0G5

Sent via email to: [tariff-tarif@fin.gc.ca](mailto:tariff-tarif@fin.gc.ca)

**Re: RCC Calls for an Affordability, Inflation and Impact Lens to be Applied to Additional Consultations on the Renewal of Canada's Tariff Preference Programs for Developing Countries**

Dear Ms. Mondy:

Retail Council of Canada (RCC) and its members would like to thank you for the opportunity to comment on Finance Canada's [Consultation on the Renewal of Canada's Tariff Preference Programs for Developing Countries](#).

The conditions that the retail sector is operating under have shifted dramatically in recent years. Canada's supply chains are facing major inflationary pressures and unprecedented impacts of the COVID-19 pandemic, compounded by adverse weather events and political instability in Europe. Consumers are feeling this pinch.

Simply put, now is not the time for Canada to be adding even more costs to consumer goods.

Furthermore, the levels of trade and investment that have resulted from current tariff treatment form an integral part of the reason why many of the countries that are being considered for prospective UN graduations are under such consideration.

This is a distinct situation from when China graduated from least developed country (LDC) status and it was evident that China had a widely diversified economy. A significant portion of imports from many of these countries is affordable apparel, some part of which are necessities and thus a significant change in cost will squeeze Canadian families. For example, the consultation document notes that the bulk of imports from Bangladesh are in apparel, the very industry that would be most negatively affected by the removal of the LDC tariff preference, and hence there is the potential for significant adverse impacts on its economy.

Many retailers who operate in Canada have made significant investments in production facilities and infrastructure in these countries. For example, garment production in Bangladesh contributes around a fifth of its gross domestic product and more than 80% of its export earnings. This trade and investment brings increased employment opportunities in Bangladesh, particularly for women. According to the International Labour Organization, Bangladesh's garment industry employs an estimated 4 million workers – a substantial proportion of Bangladesh's total labour force of 69 million. The sector's growth has specifically contributed to a rise in women's employment, pushing Bangladesh's female labour force participation rate up to 36.4 per cent in 2017.<sup>1</sup>

In addition to increased investment, many RCC members also implement associated responsible sourcing and worker safety programs. By way of example, one of RCC's members deployed an industry-leading program focused on empowering women and worker safety that has reached more than 75,000 participants in Bangladesh, helping train women on critical life and professional skills such as financial literacy and water and sanitation hygiene. These kinds of investments and their associated benefits to all parties would be at risk should tariff treatment be changed in short order.

***RCC therefore recommends that an affordability and inflation lens be applied to the consultation, and that impacts on countries being considered for graduation be considered. In this context, the status quo is the best option at this time, and a more fulsome consultation is required.*** Current tariff treatments should be renewed, subject to a full review in consultation with impacted stakeholders during the next scheduled review period to allow for these considerations to be applied to all options being considered, and to consider best practices from other global programs such as the European Union, Japan, etc.

At a minimum, a 5-year transition period is required to allow adequate planning for sourcing and investments so as to minimize unnecessary and avoidable costs and strain to Canadian businesses and consumers during this unprecedented time of historic supply chain disruptions and inflation, and to minimize negative impacts on countries being considered for graduation. Furthermore, consideration must be given to offsetting additional costs to businesses and Canadian consumers, such as coordination with future tariff reductions through as new free trade agreements are entered into and/or corresponding reductions in most favoured nation (MFN) tariff rates.

Clarification and consultation are also needed regarding the nature of any labour and environmental standards that would be used in determining country eligibility for tariff benefits. Standards must be realistic, mindful of country-specific development paths, and should take into consideration the input of relevant stakeholders. Additionally, the Government would be best placed to fund the development and implementation of those standards through conventional

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<sup>1</sup> [https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-dhaka/documents/publication/wcms\\_754669.pdf](https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-dhaka/documents/publication/wcms_754669.pdf)

development work, capacity building, and technical support. New tariff benefits should also extend to additional products that are currently not subject to the general preferential tariff (GPT) program, particularly apparel and footwear. A simplification and liberalization of the LDC program’s rules of origin for apparel goods is also needed, both in terms of cutting and assembly requirements as well as documentation required, so as to ease administrative burden for importers seeking to benefit from tariff preferences.

Thank you once again for the opportunity to comment. RCC has submitted these comments at this time in order to meet the deadline of October 11, 2022, though we may be submitting an addendum by November 10 after we have had the opportunity to consult with our members in greater detail.

Sincerely,



Jason McLinton  
VP, Grocery and Regulatory Affairs

**About Retail Council of Canada**

Retail is Canada’s largest private-sector employer with over 2 million Canadians working in our industry. The sector annually generates over \$78 billion in wages and employee benefits. Core retail sales (excluding vehicles and gasoline) were over \$400B in 2020. Retail Council of Canada (RCC) members represent more than two-thirds of core retail sales in the country. RCC is a not-for-profit industry-funded association that represents small, medium, and large retail businesses in every community across the country. As the Voice of Retail™ in Canada, we proudly represent more than 45,000 storefronts in all retail formats, including department, grocery, specialty, discount, independent retailers, and online merchants.