

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

COT/W/129
9 June 1970

Special Distribution

Original: English

COTTON TEXTILES COMMITTEE

STATEMENT BY THE REPRESENTATIVE OF CANADA ON 27 MAY 1970

I would like, as I indicated at the last meeting, to make a general statement but would also wish to cover some of the points you have just raised, on the question of the proposed discussion on longer-term textile trade. We indicated at the earlier meeting that the Canadian Government had now formulated and announced a new policy in the field of textile and clothing industries.

We think it would be appropriate to give some indication to the Committee (although I am sure the governments represented are fully aware of the matter) of the nature of the policy, particularly with respect to the matter of import competition, even though the policy as such goes well beyond that particular aspect, which we regard as only one and not necessarily the most important aspect of textile policy for the future, and also although the policy goes beyond the particular area of cotton textiles which is of concern to this Committee.

Indeed, this Canadian textile policy is deliberately aimed at the longer-term rationalization of industrial textile production and clothing production in Canada, looking towards its becoming fully competitive internationally. It is recognized that this involves restructuring of certain lines of production, including some phasing out, and creating a situation where no protection other than the tariffs will be required in due course. The policy involves many areas other than the question of disruptive import competition and covers such matters as fashion design, research, productivity, and technology, and involves a substantial allocation of new Government funds at a difficult budgetary time to assist in this matter, both with respect to the restructuring of production and with respect to the assistance to workers who may be dislocated over the years as a direct result of such policies.

Now, for the information of the Committee I would like to read some of the key passages in the statement made by the Minister of Industry, Trade and Commerce in Ottawa in Parliament in introducing this new policy, and these are the key passages in respect to the area of disruptive import competition, or, as referred to colloquially, "low-cost import competition", which is of particular interest in the context of this Committee.

I quote these paragraphs:

"Canada cannot assume alone the responsibilities for an unliberalized textile world. Because of the small domestic market in Canada it is recognized that full competitiveness in many products may be achieved only if there is

liberalization in the present highly restrictive environment for world textile trade. While prospects for such liberalization do not appear promising at the present time, Canada is prepared to join with other countries in efforts to seek progress in this direction including reduction of textile tariffs.

... the Government will be prepared in cases of serious injury or threat of injury from low-cost imports to accord special protection, unilaterally when necessary, in order to facilitate adjustment to or strengthening of the more viable lines of production. Plans for such restructuring or strengthening will be a condition of the protection. The continued appropriateness of such protection will be kept under review. There is no question of such measures of protection being applied to encourage the maintenance of lines of production which have no prospect of becoming viable in the years ahead. Progressively, and as access to world markets improves, the Canadian industry will be expected to compete more and more without special protection other than the tariff. The industry should therefore be planning progressively to phase out the least competitive lines and to move into those with the highest competitive potential for the future."

Implementation of the policy requires some legislative amendments - the setting up of new machinery, including the setting up of an independent Textile Review Board which will be charged with making formal determinations of serious injury and with assessing the acceptability of plans for restructuring to be submitted by individual segments of industry as part of the condition for consideration of protection against disruptive import competition when injury is found. In the interim, as these new mechanisms are set up and implemented, the Government will continue the present approach using available instruments and dealing with the situation in the spirit of the new policy. In this connexion I should inform the Committee, as indicated by the Minister in his statement in the House, that we now face a most urgent and critical situation of disruptive import competition in the Canadian market in the field of shirts and the matter is under urgent consideration by the Government.

I would like to emphasize, and I am sure the Committee will have noted, that there may be instances as part of our new policy approach where the Government may find it necessary to take action on imports of cotton textile products in a manner, or through mechanisms, not specifically provided by the Long-Term Cotton Textile Arrangement as such. I would like to emphasize that in such instances any measures taken would be, however, within the framework of the General Agreement. I would like to emphasize too that any such measures that may be taken under the new policy will be made conditional on formal determination of injury by an independent board and on specific undertakings by industry to adapt to the import competition situation. And then to emphasize, as we have throughout this session, the significance of the international trading environment in textiles, particularly for a country like Canada, and the significance of the policies in this field of other countries and their effect on the realistic possibilities of a full adaptation to international competitiveness by Canadian producers.

Turning now to the matter before the Committee with respect to the proposed discussion of future trade and longer-term developments in textile trade, I would like to comment on your own suggestions with which we would fully agree. We attach great importance to these proposed discussions, particularly in the light of the comments I have just been making with respect to our new policy position, and we feel they should hold real potential for the future in terms of taking a new look at the situation looking ahead. They will cover a new and complex field and we agree that it will take a little time for governments to reflect and consider the full scope of the work programme and the detailed terms of reference. This is not something that one can decide here and now except for the fact that we have decided in the Committee on the broad terms covered in these conclusions. So we would be most grateful if the secretariat in the interim period would itself formulate some of its own ideas and proposals and suggestions - as to venue (where and within what framework should the discussions thus take place), timing and detailed terms of reference and work programme. This would be for subsequent consideration by governments individually and then at some point in Committee or elsewhere. Without wishing to prejudge any decisions that might be reached or any proposals that the secretariat may wish to put forward, I think it may be useful at this point to give you some indication of our own preliminary thinking on some of the considerations that should be included within this assessment. I will just mention three considerations we regard as relevant, and which perhaps might form part of the guidelines and terms of reference:

(a) The technological, market and product changes in world textiles that have been taking place in recent years and which we, as part of our own review, have become very conscious of as appearing to be a new element in the situation. These dynamic changes must obviously be taken into account in the planned discussions.

(b) The interaction between the domestic policies of the countries involved, both exporting countries and the importing countries, and the terms on which international trade in the sector is conducted.

(c) Examination of possibilities of ameliorating the impact of these policies with a view to bringing them more closely into line with the objectives and the rights and obligations under the General Agreement, bearing particularly in mind the reference in the conclusions just adopted to the objective of achieving liberalization of trade.