

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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11 June 1970

Limited Distribution

Original: English

## ARTICLE XIX - ACTION BY CANADA

### Woven Fabric Shirts

The following communication, dated 2 June 1970, has been received from the Government of Canada.

The Canadian Government wishes to advise the contracting parties that woven fabric men's and boys' work, dress and sports shirts, not subject when shipped to Canada to export restraint or equivalent intergovernmental arrangements, are being imported into Canada in such increased quantities and under such conditions as to cause or threaten serious injury to domestic producers of like or directly competitive products. Accordingly under the provisions of Article XIX of GATT the Canadian Government is limiting the importation of such products after 2 June 1970, from all countries by the application to such imports of a surtax under Section 7(1a) of the Canadian Customs Tariff.

As noted above the surtax will not apply to shirts subject to export restraint or equivalent intergovernmental arrangements when shipped to Canada, nor will it apply to shirts imported into Canada or in transit between any country and a destination in Canada on or before 2 June 1970.

To limit the restrictive impact of the measure and to ensure that exporting countries having a recent substantial interest in the Canadian market continue to enjoy an equitable share in the market, quantitative exemptions have been established for such countries on a basis consistent with that set out in Annex B of the Arrangement Regarding International Trade in Cotton Textiles. The surtax imposed on the remaining imports will be equal to:

- (a) twice the amount by which Can\$24 per dozen shirts exceeds the f.o.b. price per dozen to the Canadian importer of such shirts; or
- (b) Can\$24 per dozen of such shirts;

whichever is the lesser.

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Since in the view of the Canadian Government delay in taking remedial action would cause damage which it would be difficult to repair, the surtax is being applied immediately under the terms of Article XIX(2). Contracting parties with substantial interest in the Canadian market have been advised of this action. The Canadian Government is prepared to enter into consultations immediately with those contracting parties having a substantial interest as exporters of shirts to Canada.

For the information of contracting parties, the Canadian Government wishes to note that the growth of shirt imports into Canada in the last few years has been substantial while domestic shipments have declined. Imports rose very sharply in 1968 (35 per cent over 1967 levels) because of the entry of new exporters of low-priced shirts into the Canadian market and massive shipments exceeding export restraint levels agreed by certain countries. This resulted in a very heavy inventory position at retail and wholesale levels throughout most of 1969. Imports in 1969 declined for this reason and also because of the conclusion of export restraint arrangements with new "low-price" suppliers and the extension of product coverage under existing arrangements. In addition action was taken to curtail shipments from countries which had exceeded agreed restraint levels.

Imports at disruptively low prices from various countries accounted for over 95 per cent of total Canadian imports of woven fabric shirts in 1969. These shirts are sold at landed duty-paid prices from 35 to 60 per cent below the wholesale prices of comparable Canadian-made shirts. These imports have depressed prices in the Canadian market and seriously reduced the profitability of woven fabric shirt manufacturing in Canada.

The rise in imports during recent years has been accompanied by a considerable contraction in employment and production in the Canadian shirt industry. Even during 1969, when imports receded somewhat, Canadian producers shipments of woven fabric shirts continued to decline from the seriously depressed levels of 1968. Employment in the industry has been reduced from about 9,000 in 1968 to about 6,000 at present. In addition more than fifty firms engaged in the manufacture of woven fabric shirts have ceased operations since 1966. This dislocation of activity is particularly serious in view of the concentration of shirt manufacturing at small rural centres where unemployment levels are significantly above the national average.

While the substantial inventories of woven fabric shirts which were overhanging the Canadian market in 1969 have been depleted, there is evidence that Canadian importers have made purchase commitments for substantial quantities of low-priced shirts of woven fabrics from countries whose export of these products to Canada is not regulated by agreed arrangements and of shirts of fibre composition not covered by such arrangements. Such imports could seriously exacerbate the employment situation in the Canadian shirt-manufacturing industry. In these circumstances of serious injury and threat of further injury, the Canadian Government has concluded that action to limit shirt imports has become necessary and has accordingly taken the decision noted above. The text of the Order-In-Council authorizing the imposition of the surtax under Section 7(1a) of the Customs Tariff will be sent to the secretariat.