

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED

L/3613

5 November 1971

Limited Distribution

Original: English

ARTICLE XIX - ACTION BY CANADA

Men's and Boys' Shirts

The following communication, dated 25 October 1971, has been received from the Government of Canada.

The Government of Canada wishes to advise the contracting parties that the import control list has been amended with effect from 30 November to include shirts, men's and boys', dress, work and sport made from woven or knitted fabrics, with tailored collar, front opening and long or short sleeves, and having an export price below \$30 per dozen in the case of woven fabric shirts and \$33 per dozen in the case of knitted fabric shirts, the export price as determined in accordance with the Anti-Dumping Act, and that a global quota of 1,215,000 dozen will be placed on imports of such shirts during the twelve-month period commencing 30 November.

This action is being taken under the provisions of Article XIX of the General Agreement on Tariffs and Trade and arises out of a comprehensive review by the Textile and Clothing Board of the effects of imports of men's and boys' shirts made from woven or knitted fabric on Canadian production and employment.

Contracting parties will recall that the representative of Canada to the 25 May 1970 Meeting of the Cotton Textiles Committee announced that Canada had formulated a new policy in the field of textile and clothing industries and that the Textile and Clothing Board would be established to implement the policy. It was emphasized at that time that the Board would in addition to determining whether or not injury was caused or threatened by imports, judge the acceptability of restructuring or strengthening plans designed to enable the industry to meet international competition in Canada. The policy does not encourage the maintenance of lines of production that have no prospects of becoming viable.

In its report to the Government the Board concluded that imports of shirts have caused serious injury to domestic producers and that a threat of further serious injury exists. It also found that Canadian producers are efficient and that their plans to deal with the problems facing the industry are acceptable when viewed in light of the guidelines contained in the Textile and Clothing Board Act. In the opinion of the Board most of the present Canadian shirt industry is viable in the long run.

The Board refers also to the vulnerability of the industry to imports of tailored knitted shirts which represent the most recent fashion trend in the market and appear to be identical in cut, style and construction to conventional woven shirts. The Board notes that such tailored shirts serve the same purpose as and are directly competitive with woven fabric shirts.

Canadian shirt producers have been under severe import pressures. Although export restraint arrangements have been concluded with a total of eleven countries the share of the Canadian market held by domestic producers in 1970 dropped to 56 per cent. Canadian shipments in 1970 which were 5 per cent lower than in 1969, declined to the lowest point since 1961. Imports on the other hand have grown by 122 per cent since 1961 and in 1970 alone registered a 14 per cent increase over 1969. Since 1966 over fifty plants have closed resulting in employment in the industry being reduced by about one third. In 1970 the situation had deteriorated to such a degree that the Government of Canada found it necessary on 2 June to impose a surtax on imports of certain woven fabric shirts under the provisions of Article XIX (L/3402 dated 11 June refers). During the twelve months following this action, however, imports were 24 per cent higher than in the previous twelve months.

This situation has compounded the difficulties being faced by the industry. Most of the plants are located in areas where present unemployment levels are substantially above national and provincial levels. With the rising trend in imports, 1971 has been marked by temporary plant closures, lay-offs, high inventories and low order positions.

The Canadian Government concluded that unless measures were introduced to contain imports in the period following the expiry of the shirt surtax order on 29 November, imports would continue to increase their share of the market with further losses of production and jobs. As the Board found that the Canadian industry has certain competitive advantages in high styled shirts, it was decided that the measure should be limited to shirts that compete in the low and intermediate sectors of the Canadian market.

Since in the view of the Canadian Government delay in taking steps to contain imports subsequent to the expiry of the surtax would cause damage which would be difficult to repair, the action specified in paragraph 1 has been taken. Contracting parties with a substantial interest in the Canadian market have been advised of this action and that the Canadian Government is prepared to enter into consultations immediately on their request.

In the case of those suppliers who have been restraining exports of shirts to Canada, the historical positions which they have obtained in the Canadian market will be recognized in a large degree through the establishment of country reserves within the quota. At the same time, the unreserved portion of the quota will be sufficient to permit all countries (both those with reserves and new entrants) to compete for a substantial portion of the market. Under the country reserve formula the reserve will amount in aggregate to about 75 per cent of the quota and will be made up of two components:

- (1) A cotton component equal to either the most recent woven cotton shirt restraint or if no specific woven cotton shirt restraint has been negotiated, imports of woven cotton shirts determined in accordance with the formula in Annex B to the arrangement regarding international trade in cotton textiles, and
- (2) 50 per cent of the difference between the cotton component and the total restraint.

With the exception of shirts imported as gifts for personal use and as commercial samples, individual permits will be required to import shirts under restriction into Canada. About half the annual quota will initially be allocated to cover imports during the period from 30 November to 31 May 1972. Within this amount import permits will be issued to cover goods in transit on or before 22 October and exports under remaining restraint obligations. Permits will be allocated for the balance of this amount on the basis of contracts concluded before 22 October. The second and subsequent allocations will be based on historical performance by importers. Up to a maximum of 5 per cent of the quota will be made available to those importers who did not have any performance during the base period.

The measure will remain in effect for three years subject to possible extension and subject to earlier termination if upon review by the Textile and Clothing Board it should be found that Canadian producers were not making acceptable progress in the implementation of plans to increase their ability to meet international competition in the Canadian market. Furthermore, the Board will review annually the quota and price levels for the succeeding year.

The text of the press release announcing the action to be taken by the Canadian Government together with the text of the report of the Textile and Clothing Board will be provided to the secretariat.