

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/5263

30 November 1981

Limited Distribution

Original: English

ARTICLE XIX - ACTION BY CANADA

Non-Leather Footwear

The following communication, dated 24 November 1981, has been received from the delegation of Canada.

The Government of Canada wishes to advise the contracting parties of its intention to restrict imports of non-leather footwear for a three-year period. This action, to take effect 1 December 1981, is being taken pursuant to Article XIX of the GATT following a finding by the Anti-Dumping Tribunal that increased imports of footwear are causing or threatening serious injury to Canadian footwear producers. A global quota of 35.6 million pairs has been established for the period 1 December 1981 to 30 November 1982, to be increased to 36.7 and 37.8 million pairs in the subsequent twelve respective month periods for which restrictions are to remain in effect. Rubber footwear, waterproof plastic footwear, downhill ski boots and certain speciality non-leather footwear products will be excluded from restrictions. The quota is intended to facilitate achievement of the objective of adjustment allowing the Canadian industry to compete with imports following removal of special measures of import protection.

At the same time, in order to encourage the necessary structural adjustment within the domestic industry, the Government intends to provide additional adjustment assistance to this industry to assist manufacturers to undertake the necessary restructuring to consolidate activities, to increase efficiency and productivity, and to modernize operations. Some adjustment has already taken place with Government support, but firms in the industry require more time and continued financial assistance to restructure. In addition, small and medium sized communities affected by the adjustment programme will have access to Government programmes designed to generate sustained employment opportunities for displaced workers and help them adjust to changing occupational demands and technological conditions. The import restrictions are intended to provide Canadian producers a reasonable period within which to develop and to implement adjustment plans.

These actions follow the Government's consideration of the report of the Anti-Dumping Tribunal respecting the Canadian footwear industry which was released on 6 March 1981. The Tribunal found that the domestic footwear industry can now meet international competition from developed and State-trading countries. With regard to imports from developing countries, the Tribunal concluded that in

absence of quantitative restraints, imports in virtually all footwear commodity classes would increase rapidly and significantly, and that virtually all of the increase would come from certain low wage suppliers. The Tribunal also noted that a very large part of the increased imports from low-cost suppliers would be in non-leather footwear. The tendency to substitute canvas for other materials led the Tribunal to conclude that, even though canvas shoes are not produced in volume in Canada, they represent a direct substitute, and given their price, could create serious difficulties for Canadian producers.

Imports of non-leather footwear covered by the measure in 1980 were approximately 29.1 million pairs valued at 130.4 million dollars including: Republic of Korea: 34.1 million dollars (6.8 million pairs); EC: 19.0 million dollars (2.5 million pairs); USA: 13.1 million (2.4 million pairs).

The Government of Canada is prepared, in accordance with the requirements of Article XIX of the GATT, to afford contracting parties having a substantial interest as exporters of non-leather footwear covered by the measure to consult in respect of the proposed action.

