GENERAL AGREEMENT ON

TARIFFS AND TRADE

RESTRICTED

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Additional Information

The following information was received in addition to the original submissions as contained in COM.TEX/54 dated 13 November 1987 from Canada, Macau and Peru.

88-0255

CANADA

I. Apparent Canadian Market for Clothing

Apparent Canadian Market for Clothing

Basis '000 Garments

	1979	1980	1981	1982	1983	1984	1985	1986
Domestic shipments	360,570	378,982	372,876	333,154	338,232	339,718	336,181	364,843
Exports	3,168	5,109	4,383	4,606	4,426	4,997	5,135	6,240
Net domestic shipments	357,402	373,873	368,493	328,548	333,806	334,721	331,046	358,603
Total imports	138,634	137,577	160,784	159,750	200,345	234,452	243,101	266,901
Apparent Canadian markets	596,036	511,450	529,277	488,298	534,151	569,173	574,147	625,504
Share of apparent Canadian market (%)								
Net domestic shipment (%)	72	73	70	67	62	59	59	57
Total imports (%)	28	27	30	33	38	41	42	43

II. Product Diversification and New Product Development

The textile industry is actively pursuing all avenues in order to lessen its dependence on apparel textiles and those textile products (e.g. bed sheets, towels, etc.) that are subject to significant low-wage competition. The greater prospects for growth lie in the area of industrial fabrics. Here, the development of new high performance fabrics and advances in non-woven technologies are resulting in a host of products which either fill new needs or displace other more expensive non-textile products. Examples include gea-textile products used in civil engineering (e.g. soil erosion, road beds, roofing), fibreglass textiles used in laminations, new composite materials with applications in such industries as electronics and boat construction, netting for camouflage and wind screens, body armour, shade cloths, disposable non-wovens, and aircraft and automotive upholstery.

This type of an adjustment is a logical response to the changing business environment facing the textile industry, and is taking place on a steady ongoing basis.

III. New Textile and Clothing Import Policy

On 30 July 1986, Canada announced a new textile and clothing import policy. The announcement of this policy, as well as background information, are to be found below.

As recommended in a 1985 report by the Textile and Clothing Board, Canada pursued international negotiations for renewal of the Multifibre Arrangement beyond its 31 July 1986 expiry. The Government also intended to renegotiate and extend the bilateral restraint arrangements which are in place in these sectors with twenty-five low cost supplying countries.

In outlining Canadian objectives for these negotiations, the Minister for Regional Industrial Expansion noted that the policies in force for the past five years had been inadequate and that low-cost clothing imports had been increasing at a rate of 11 per cent a year as compared to annual market growth of only 2.3 per cent.

The Minister said that Canada could not hide from the realities of international competition in these or any other sectors, and that it should ensure a more moderate pace of import growth which is consistent with orderly adjustment process.

The Minister noted that, during 1983 and 1984, the growth in imports of low-cost clothing was 26 and 15 per cent respectively. He said that this had confounded the adjustment process and that the industry must be provided with a more stable climate in which to plan and invest for the future.

While ensuring a more effective control over imports, the new Government policy will also take account of the special economic problems of the less developed countries. The Minister for International Trade said that many of the world's poorest nations looked toward the clothing industry as a major stepping-stone to development, and that it would be morally wrong to deny them continued access to the Canadian market. While imports from such countries had increased rapidly in recent years, more than half of Canada's clothing imports still came from only three sources - Hong Kong, Korea and Taiwan.

Included in the Government's new policy was a duty remission programme designed to increase the competitiveness of domestic shirt manufacturers. The Minister for International Trade noted that this programme was an innovative pilot project and that it recognized that quotas could not be the only answer and that Canada must strike out in new directions if longer term solutions were to be found.

The Government also intended to upgrade inspection procedures on the fibre content of imports, to initiate a full review of country-of-origin labelling regulations and to seek controls on imports of garments made from vegetable fibres, such as ramie, which were not covered by Canada's current bilateral agreements.

BACKGROUNDER

Textiles and Clothing: Two Vital Industries

The textile and clothing industries together account for almost 10% of Canada's manufacturing workforce. Their net domestic shipments in 1985 totalled $10 billion.

About 80% of employment in the industries is concentrated in Quebec and Ontario. The clothing industry tends to be centred in large urban areas. About 72% of clothing jobs in the province of Quebec are in Montreal, with about 73% of the Ontario jobs in Toronto, Kitchener, Hamilton and London. The Winnipeg area also contributes nearly 7% of total clothing employment. The textile industry is a major employer in many smaller communities in Quebec and Ontario, as well as in other provinces such as Nova Scotia.

The two industries are fundamentally different. In the capital-intensive textile sector, low-cost imports do not generally hold a major market position and only about 7% of all textile imports are subject to bilateral import restraints. In the clothing sector, however, the high labour component gives an inherent advantage to low-wage countries, and this has been the primary focus of Canada's import control regime.

Since the clothing sector is the single largest customer for Canadian textile producers, both sectors have a stake in maintaining a strong domestic clothing industry. About 40% of total textile output is apparel-related.

The 1981-85 Experience: A Declining Market Share

In recent years, the clothing industry has been losing market share to imports. These imports have captured almost all of the market recovery since the 1982 recession, while domestic shipments have remained significantly below their 1981 levels.

As a result, the Canadian clothing industry has seen its share of the domestic market decline, on a unit volume basis, from 69% in 1981 to 57% in 1985.

While accurate employment statistics in these sectors are elusive, the Textile and Clothing Board has estimated that the import growth may have cost as many as 15,000 Canadian jobs since 1981.

The average growth rate for low-cost imports, on a unit volume basis, has been 11% a year since 1981. This compares with an estimated annual market growth of only 2.3%.

The import pattern has also been highly erratic, with dramatic surges in low-cost imports of 26% in 1983 and 15% in 1984. Although the growth rate in 1985 moderated to less than 2%, this was added to the large import volumes which had been built up in the two preceding years.

Government Support for the Industries

The industries' problems have occurred in spite of considerable government support, including financial assistance, high tariffs and the quota regime.

Under the Canadian Industrial Renewal Board (CIRB), some $250 million has been committed in direct industry modernization assistance. This will help to support more than $1 billion in industry investment. About $300 million has also been devoted since 1981 to various labour and community adjustment programs in these sectors.

The CIRB completed its five-year mandate at the end of March, 1986 after reaching almost all viable firms in the sectors. Industry assistance continues to be available under the Industrial and Regional Development (IRDP) program. The $4 billion Canadian Jobs Strategy Program also provides a new thrust to labour and community adjustment in these and other sectors.

Textile and clothing tariff rates in Canada are nearly triple those for the entire manufacturing sector. Average rates are about 13% on yarns, 21.5% on fabrics and 24% on clothing, compared with 8.5% for manufactured goods as a whole.

Quota protection for these sectors has been in place in various forms for more than two decades. Under the international Multi-Fibre Arrangement (MFA), Canada currently has restraint arrangements with 25 countries covering 82% of all clothing imports. Unrestrained low-cost imports (8% of the total), are also closely monitored through an import permit system, and new restraints are negotiated when such imports cause disruption in the market. Developed countries, which are not restrained, account for only 10% of total imports.

Factors in Recent Import Growth

The recent low-cost import growth has occurred in spite of the extensive network of bilateral restraints. It has come from several directions:

- from the three dominant suppliers - Hong Kong, Korea and Taiwan - who account for 51% of total imports;
- from China, which has moved to a close fourth position with 12% of total imports;
- from other established exporters such as India and the ASEAN countries; and
- from newer entrants such as Indonesia, Bangladesh and Brazil.

The reasons that such high import growth has been possible under the existing regime lie in the nature of the bilateral arrangements negotiated in 1981.

Import quotas under these arrangements were underutilized in the 1982 recession but were rapidly filled in 1983 -- the so-called "overhang" problem. This was compounded by the intrinsic growth rates and by flexibility provisions which allow quotas to be borrowed from one year to another.

A range of new supplying countries has also emerged since 1981. As new restraints were negotiated with these countries, new imports were added to those from established sources.

Finally, there has been import growth in clothing items not covered by the MFA, particularly those made from a vegetable fibre known as ramie. While non-MFA clothing (including handicraft) accounted for only 4% of total 1985 imports, there has been a fivefold increase since 1981.

We Are At A Policy Crossroads

Both the MFA and Canada's existing bilateral agreements are up for renewal this year, presenting an ideal opportunity to address the problems of the 1981 regime.

Canada is not alone in seeking improvements to the MFA. The U.S. has witnessed even higher import growth than Canada and also intends to address this problem through international negotiations. The EC has experienced significantly lower import growth rates than Canada or the U.S. during the 1980s. However, it is also determined to maintain an effective restraint regime in these sectors.

In looking for an international solution, the Government has rejected the unilateral approach of imposing global quotas in order to freeze or roll back the level of imports. Such quotas can be applied as temporary emergency measures under Article XIX of the GATT. However, this would require that Canada withdraw from the accepted international framework for textile and clothing trade under the MFA. It would expose Canada, under the rules of the GATT, to demands for compensation or to possible retaliation by our trading partners. It would also increase the burden on Canadian consumers and represent a backward step in terms of fostering industry adjustment to international competition.

In its interim report published in June 1985, the Textile and Clothing Board (TCB) had recommended that Canada impose a global quota on clothing imports. On completing its full inquiry, however, the Board recognized the serious disadvantages of this approach and that it would, in any event, offer only a temporary solution. In its final report, published in December 1985, the TCB focussed on finding longer term solutions through renewal of the MFA and renegotiation of Canada's bilateral restraint agreements.

Negotiating A More Effective Restraint Regime

In pursuing these international negotiations, the Government has identified three main objectives:

- a substantial moderation in the import growth rate. The 11% annual growth experienced under the 1981 policy can not be sustained in a market growing by only 2% per year.

- a better control over import surges. The experience of 1983 and 1984 was particularly disruptive and was not conducive to an orderly adjustment process.

- **a differentiation between the dominant, newly industrialized suppliers and the smaller, newer entrants.** It is essential that those in the latter group, many of whom are among the world's poorest countries, be allowed continued expansion in their market access.

Duty Remission

Based on proposals put forward by the industry, the Government is also implementing a duty remission program for tailored collar shirts. The program will enable domestic shirt manufacturers to import, duty-free, product lines which will complement their own domestic output. This will enable them to rationalize their operations and become more competitive.

To qualify, a manufacturer must maintain the value and volume of production attained in 1984. The duty remission formula also includes an incentive to use domestic fabrics:

- one shirt can be imported duty-free for each shirt made in Canada with domestic fabrics.

- remission of three-quarters of the duty will be granted for each shirt made from imported unfinished fabrics.

- duty remission will be reduced to one-half for each shirt produced from imported finished fabrics.

Additional Policy Measures

A number of other steps are also being taken:

- a prompt response when new unrestrained imports disrupt the market. More than 30 new restraints have already been negotiated since September 1984.

- tighter border controls through increased laboratory testing of the fibre content in imports. This will ensure that goods are not falsely declared in an effort to evade quotas, tariffs or labelling regulations.

a review of country-of-origin labelling requirements. Canadian consumers have a right to be able to distinguish adequately between domestic and imported goods.

the establishment of Sectoral Advisory Groups on International Trade (SAGITs) for both textiles and clothing. The Government is working closely with industry representatives on both the MFA negotiations and the renewal of Canada's bilateral agreements.

Balancing Interests

In acting to preserve textile and clothing jobs, we cannot lose sight of the fact that there is a significant cost involved for Canadian consumers. The Textile and Clothing Board estimates that the cost of quotas alone, not including tariffs, is between $300 and $350 million per year. That translates to a cost of about $60 each year for a family of four.

Nor can we forget that trade is a two-way street. Many countries that supply us with textiles and clothing are also important markets for Canadian exports.

The economic plight of the developing countries must also be considered. These countries have a right to improve their economic circumstances and, in many cases, the labour-intensive clothing sector offers one of the few opportunities to generate industrial jobs and to earn badly needed foreign exchange.

There are no simple or cost-free solutions, and many conflicting interests must be balanced. In doing so, however, this Government is committed to maintaining a viable level of textile and clothing production in Canada and to ensuring that these industries have a more stable and secure environment in which to plan their future.

APPENDIX A

COUNTRIES COVERED BY CANADA'S CURRENT TEXTILE AND CLOTHING RESTRAINT REGIME

1985 Clothing Imports

Country	Units (000's)	Value ($000's)
Hong Kong	46,231	293,627
Taiwan Textile Federation	43,600	231,432
Korea	33,958	254,717
P.R. China	31,766	131,244
India	10,560	61,652
Indonesia	8,307	24,026
Philippines	6,847	24,041
Thailand	6,324	27,115
Malaysia	5,038	20,891
Pakistan	3,613	8,170
Brazil	3,353	10,302
Bangladesh	2,990	8,258
Romania	2,498	17,108
Sri Lanka	2,280	8,206
Singapore	2,158	12,562
Mauritius	1,408	6,253
Macao	1,227	8,489
Poland	1,181	6,121
Turkey	1,176	5,793
Bulgaria	877	7,320
Maldives	514	1,826
Vietnam	400	1,289
Hungary	320	2,910
Czechoslovakia	166	1,686
Uruguay (worsted fabric only)	N/A	N/A

Product coverage under the existing bilateral restraint arrangements varies from relatively comprehensive coverage for the major suppliers such as Hong Kong, Taiwan, Korea and China, to only single-product coverage in a few instances (e.g. pants from Turkey, fine suits from Hungary).

An import permit requirement applies to clothing from all sources, restrained or unrestrained, and provides a basis for constant monitoring of import increases which might be disruptive to the Canadian market.

Since September 1984, Canada has negotiated new restraint arrangements with Bangladesh, Turkey and Maldives as well as unilaterally imposing a quota on imports of tailored-collar shirts from Vietnam. In addition, negotiations have been concluded to expand the product coverage of restraint arrangements with Bulgaria, China, Indonesia, Malaysia, Mauritius, Pakistan, Singapore, Sri Lanka and Thailand.

APPENDIX B

THE MULTI-FIBRE ARRANGEMENT

The Multi-Fibre Arrangement (MFA) is negotiated under the GATT and provides an international legal framework governing trade in the textile and clothing sectors. The MFA was originally negotiated in 1974 and replaced previous arrangements on cotton textiles which had been in effect since 1961.

Since 1974, the MFA has been renewed twice (in 1977 and 1981), with relatively minor adjustments. The Arrangement currently extends to July 31, 1986 and negotiations on its future are now underway in the GATT Textiles Committee.

Over 50 countries are signatories to the MFA, including almost all major textile exporting and importing nations.

The Arrangement provides a derogation from normal GATT rules, in particular by allowing quotas to be applied on a discriminatory basis against specific countries rather than in accordance with the GATT principle of non-discriminatory "most favoured nation" treatment.

The basic objectives of the MFA are to achieve the expansion and progressive liberalization of world trade in textile products, while at the same time ensuring the orderly and equitable development of this trade and the avoidance of disruptive effects in individual markets.

While allowing for the discriminatory application of restraints, the MFA sets out a number of criteria to protect the interests of developing countries and to ensure equitable treatment amongst MFA signatories. Formulae are included for minimum base-levels of restraints, as well as minimum growth and flexibility provisions. However, lower growth rates can be applied in exceptional circumstances.

Under the MFA, more favourable treatment is provided for new entrants, small suppliers and cotton producers. Flexibility in this area has been constrained, however, by the fact that restraint levels must also respect the established performance of the large traditional suppliers.

Negotiation of bilateral restraint arrangements under the MFA can be undertaken only where there is evidence that imports are causing or threatening disruption in the market of the importing country. All requests for consultations and the agreements reached, or unilateral actions taken, are reviewed by the Textiles Surveillance Body in Geneva.

The MFA applies only to textile and clothing products that consist wholly or mainly of cotton, wool or man-made fibres. The arrangement does not include handicraft items or those products consisting mainly of silk, linen or ramie.

IV. Revised Statistical Data

CANADA

	ISIC	Unit	1973	1978	1979	1980	1981	1982	1983	1984	1985	1986
PRODUCTION		Million										
Textiles		Cdn $ (1981	4,632.80	4,873.60	5,321.60	5,274.80	5,439.00	4,068.20	4,361.30	4,294.70	4,182.20	NA
Knitting		constant $)	1,113.70	973.60	1,045.50	1,076.30	1,024.40	855.40	NA	NA	NA	NA
Clothing			3,860.50	4,315.20	4,818.80	4,541.20	4,304.80	3,576.20	4,173.30	4,231.30	4,357.90	NA
Total manufactures			140,071.00	174,410.00	188,517.00	188,992.00	191,039.00	169,413.00	173,476.00	188,119.00	195,400.00	188,800.00
IMPORTS		Million										
Textiles (SITC 65)		Cdn $ (1981	714.00	1,846.00	2,147.00	1,848.00	1,868.00	1,395.00	1,645.00	1,816.00	1,477.00	1,584.00
Clothing (SITC 84)		constant $)	1,809.00	886.00	929.00	875.00	954.00	889.00	1,020.00	1,318.00	1,419.00	1,657.00
Total Manufactures			42,559.00	57,246.00	65,337.00	62,547.00	64,530.00	51,107.00	56,146.00	69,374.00	73,908.00	NA
EXPORTS		Million										
Textiles (SITC 65) 1/		Cdn $ (1981	326.00	345.00	416.00	478.00	474.00	388.00	367.00	426.00	443.00	504.00
Clothing (SITC 84) 1/		constant $)	246.00	203.00	235.00	259.00	264.00	218.00	188.00	236.00	259.00	293.00
Total Manufactures			36,959.00	53,607.00	58,546.00	60,136.00	59,230.00	53,545.00	56,517.00	68,707.00	70,537.00	NA
EMPLOYMENT		'000										
1) Number of employees												
Textiles	321		75.90	65.20	66.40	65.40	66.10	55.60	61.80	61.80	61.30	62.40
Spinning, weaving	3211											
Knitting			23.10	19.40	20.40	20.20	18.70	16.80	18.90	18.40	16.50	17.90
Clothing	322		90.60	87.90	88.40	84.70	86.40	73.40	89.80	83.00	85.40	89.10
Total manufactures	3		1,275.90	1,310.30	1,360.90	1,346.20	1,337.40	1,205.90	1,193.90	1,240.80	NA	NA
2) Number of workers 2/												
Textiles	321											
Spinning, weaving	3211											
Knitting												
Clothing	322											
Total manufactures	3											
VALUE ADDED		Million										
Textiles	321	Cdn $	2,170.00	1,976.00	2,246.00	2,214.00	2,262.00	1,655.00	1,998.00	1,963.00	NA	NA
Spinning, weaving	3211	(1981										
Knitting		constant										
Clothing	322	$)	2,297.00	2,459.00	2,735.00	2,509.00	2,521.00	2,196.00	2,222.00	2,300.00	NA	NA
Total manufactures	3		60,328.00	69,720.30	75,121.70	74,054.90	74,050.70	62,263.70	62,874.60	72,500.20	NA	NA
INVESTMENT		Million										
1) Total		Cdn $										
Textiles	321	(1981		221.00	263.00	256.00	225.00	222.00	276.00	271.00	276.00	310.00
Spinning, weaving	3211	constant										
Knitting 3/		$)	504.30									
Clothing	322			1.40	1.20	26.20	24.00	26.00	18.00	27.00	45.00	59.00
Total manufactures	3			13,524.00	16,359.00	19,629.00	18,915.00	18,290.00	21,575.00	23,444.00	25,859.00	26,612.00
2) Machinery and equipment		Million										
Textiles	321	Cdn $	-	180.70	178.40	221.40	221.30	194.80	185.30	210.40	228.50	244.50
Spinning, weaving	3211	(1981										
Knitting		constant	-	20.70	24.70	17.90	19.80	16.90	20.60	20.90	15.30	15.60
Clothing	322	$)	-	35.60	35.30	35.30	32.00	20.30	23.50	25.70	26.70	30.40
Total manufactures	3		11,736.80	13,225.70	14,301.50	16,285.80	17,694.40	14,753.40	11,834.30	11,966.20	13,834.90	15,061.70

See footnotes on next page

CANADA

	ISIC	Unit	1973	1978	1979	1980	1981	1982	1983	1984	1985	1986
NUMBER OF ESTABLISHMENTS		Number										
Textiles	321		983.00	971.00	1,026.00	1,014.00	1,012.00	1,046.00	1,072.00	1,101.00	NA	NA
Spinning, weaving	3211											
Knitting												
Clothing	322		2,346.00	2,310.00	2,424.00	2,379.00	2,350.00	2,326.00	2,368.00	2,465.00	NA	NA
Total manufactures	3		31,100.00	32,000.00	34,600.00	35,500.00	35,800.00	34,100.00	35,300.00	36,500.00	NA	NA
PRODUCTIVE CAPACITY		Index of										
Textiles	321	potential	97.30	107.80	107.40	107.70	108.60	108.80	108.50	108.50	109.10	110.00
Spinning, weaving	3211	output										
Knitting												
Clothing	322		102.00	109.70	110.00	111.00	112.40	112.10	110.50	109.90	109.10	107.90
Total manufactures	3											
CAPACITY UTILIZATION		%										
Textiles	321		78.60	88.00	96.40	90.90	94.50	74.80	82.60	80.50	94.40	97.70
Spinning, weaving	3211											
Knitting												
Clothing	322		86.80	91.50	96.60	90.90	89.90	78.50	88.70	92.10	93.10	94.60
Total manufactures	3		92.70	95.10	87.70	83.00	80.50	69.50	72.00	75.80	77.70	77.00
PRODUCTIVITY		output										
Textiles	321	per	8.99	13.24	13.88	13.75	14.44	13.66	15.37	15.41	15.66	NA
Spinning, weaving	3211	person										
Knitting		hour										
Clothing	322	$	6.81	9.43	9.99	9.96	10.41	9.96	9.85	10.15	9.85	NA
Total manufactures	3		16.02	17.94	18.11	17.42	18.27	17.44	18.71	20.73	21.25	21.20
PROFITABILITY		Million										
Textiles	321	Cdn $		107.60	293.70	297.00	212.00	101.10	181.70	200.30	93.60	NA
Spinning, weaving	3211	(1981										
Knitting		constant		28.80	38.40	40.50	34.00	13.50	29.90	18.00	17.30	NA
Clothing	322	$)		144.80	192.10	157.50	151.00	74.90	124.60	130.80	143.10	NA
Total manufactures	3		17,027.00	17,696.00	23,403.00	23,497.00	20,251.00	11,958.00	15,684.00	19,440.00	19,417.00	18,897.00

1/ Estimates (years 1985 and 1986).
2/ Data not available.
3/ Textile and clothing combined.

MACAU

I. Government Measures

The measures taken by the Government to promote industrial diversification in Macau and to lessen the economy's dependence on textiles are various and apply to a wide range of industries other than textiles.

Two basic criteria govern the granting of official support to industrial products. The major and foremost, are the advantages that their implementation may bring to the economy of the Territory and, secondly, their contribution to the Government's policy of industrial diversification.

Despite the above, the Government's support with regard to exports promotion and professional training continues to be partly at the textile industry.

However, it should be noted that the bulk of the financial assistance provided for these activities is supplied by the FDIC (in English, Industrial Development and Marketing Fund) which, in turn, is entirely paid by the industries themselves, as the Fund is financed with monies from levies on textile exports under quota.

II. Technological Developments and Innovations

Technological developments and innovations introduced to increase the textile and clothing industries' productivity:

(a) purchase by the industries concerned of more modern equipment for weaving, spinning and dyeing of cotton and synthetic yarn;

(b) easier access to various laboratorial facilities in Macau and Hong Kong for running of textiles and clothing quality control tests;

(c) training programmes for current or future textile industry workers, namely in the area in the areas of fashion design, tailoring and fashioning, maintenance of equipment, etc;

(d) introduction of CAD CAM equipment in the CADI (in English, Industrial Training and Development Centre) in the near future, providing access to computer technology in the textiles sector on a wider scale, and enabling the carrying out of training courses and the supply of services to companies in this specific and sophisticated area.

PERU

AUTONOMOUS ADJUSTMENT PROCESS IN THE TEXTILE SECTOR

I. Production

Output of the textiles sector as a whole represented on average 10 per cent of the value of total output of the manufacturing sector of Peru between 1978 and 1984, with a peak of 11.4 per cent of that total in 1980.

While in local currency the total value of manufacturing output increased gradually from year to year, in dollar terms it fluctuated due to the exchange-rate policy of daily mini-devaluations of the currency during the last years of the period 1978-84.

As with the fluctuating performance of all industrial branches, the textiles sector, and within that sector textiles proper, attained their highest growth rate during 1984, with a growth of 60 per cent over 1983, in which year there had been a drop of almost 26 per cent from the 1982 level.

The upturn in output in 1984 may partly be explained by the adoption of provisions suspending imports of ten textiles items in order to overcome balance-of-payments problems.

The rise in output of the textiles sector was basically the result of growth of such branches as spun and woven products, that generate relatively low value added and are primarily intended for export. On average, spinning and weaving account for 80 per cent of textiles production.

Clothing output, which accounts for 20 per cent of textiles-sector production, also fluctuated during the period between 1978 and 1984.

In parallel with the growth recorded, textiles undertakings had to face an inflation rate of 111.5 per cent, together with a heavy tax burden and high interest rates which considerably increased their financial costs.

The data for the gross value of output for the years 1985 and 1986 are currently being processed; for those years physical-volume production indices with a base year of 1979 are available. The index for the textiles sector as a whole stood at 113.1 per cent for 1985, and in the case of textiles, the index for 1986 stood at 110.6 per cent.

II. Value Added

The textiles sector on average accounted for 11.5 per cent of the value added of manufacturing output in the period 1978-1984.

In 1984, while the value added of the manufacturing sector rose by 17.1 per cent, in the textiles sector the growth over the previous year was 61 per cent.

In the generation of value added the structure is similar to that of production, with textiles accounting for the most value added because of their larger volume of production.

III. Investment

The textiles sector as a whole accounted for 15 per cent of total investment in the manufacturing sector in 1984. Textiles absorbed the highest percentage, 13.1 per cent of total investment in manufacturing in 1984. Although the textiles figure is quite high compared with investment in clothing (1.8 per cent in 1984), as from 1980 its share in total investment declined clearly: in 1980 investment in textiles amounted to 28 per cent of total manufacturing investment. Within the textiles sector spinning and weaving accounted for 82 per cent.

The levels of investment in clothing have fluctuated, with a high in 1982 and a low in 1983 of 2.1 per cent and 0.3 per cent of total manufacturing investment, respectively.

Investment in machinery and equipment for spinning and weaving represented 74 per cent of total investment in the textiles sector during 1984; clothing accounted for 5.6 per cent on average in the period 1978-1984.

VI. Revised Statistical Data

PERU

	ISIC	Unit	1973	1978	1979	1980	1981	1982	1983	1984	1985	1986
PRODUCTION 1/												
Textiles		Thousand US$	564,458	454,591	575,538	762,579	675,345	720,470	535,587	858,961		
Spinning, weaving			442,296	345,235	424,955	568,668	515,126	550,013	427,571	733,663		
Clothing			83,969	72,799	106,955	189,210	161,550	187,291	123,373	157,784		
Total manufactures			5,603,669	4,976,596	6,500,227	8,292,483	9,701,053	9,661,445	7,728,891	9,402,465		
IMPORTS 2/												
Textiles (SITC 65)		Million US$			7.29	21.96	30.66	30.56	14.93	13.44	10.56	
Clothing (SITC 84)					0.12	2.69	4.27	4.36	3.09	0.39	0.17	
Total Manufactures					1,256.77	2,114.80	2,907.73	2,617.13	1,529.38	1,270.16	1,037.67	
EXPORTS 2/												
Textiles (SITC 65)						179.06	168.60	126.00	124.37	149.29	146.68	
Clothing (SITC 84)						33.21	46.96	103.96	15.66	18.95	6.34	
Total Manufactures						758.60	386.40	552.12	357.20	455.23	409.00	
EMPLOYMENT												
1) Number of employees												
Textiles	321		7,397	7,712	8,441	8,545	7,493	9,272	8,983	8,970		
Spinning, weaving	3211		4,798	4,921	5,480	5,420	4,946	5,963	5,837	5,855		
Knitting												
Clothing	322		2,401	3,274	3,459	3,815	2,668	4,416	5,205	5,629		
Total manufactures	3		66,484	80,777	87,056	89,876	75,786	100,880	92,847	98,049		
2) Number of workers 3/												
Textiles	321		29,424	24,807	25,252	26,870	[illegible]	27,095	24,501	23,237		
Spinning, weaving	3211		19,984	18,871	19,535	[illegible]	[illegible]	20,845	18,883	17,512		
Knitting												
Clothing	322		8,872	9,641	10,989	11,267	8,166	12,563	12,061	12,279		
Total manufactures	3		187,606	177,506	179,826	196,267	158,231	191,844	171,336	167,166		
VALUE ADDED												
Textiles	321	Thousand US$	254,464	237,398	325,787	458,336	337,670	355,461	280,578	471,763		
Spinning, weaving	3211		191,991	197,947	250,783	371,659	267,280	281,516	224,035	407,517		
Knitting												
Clothing	322		43,569	36,467	49,229	92,869	76,701	104,129	60,050	77,878		
Total manufactures	3		2,662,869	2,637,884	2,783,177	3,907,181	4,205,617	4,835,241	3,542,929	4,148,253		
INVESTMENT												
1) Total												
Textiles	321	Thousand US$	45,524	30,236	94,672	134,016	[illegible]	94,453	38,268	36,990		
Spinning, weaving	3211		39,024	23,667	78,149	117,379	67,556	68,555	34,774	29,446		
Knitting												
Clothing	322		1,547	1,674	1,676	7,133	3,435	16,599	1,217	5,158		
Total manufactures	3		1,304,081	1,682,383	434,962	474,914	595,509	798,186	431,843	282,811		
2) Machinery and equipment												
Textiles	321	Thousand US$	37,306	22,108	38,747	86,874	45,909	62,978	20,674	27,534		
Spinning, weaving	3211		32,506	17,381	28,411	74,777	37,517	44,241	18,039	21,596		
Knitting												
Clothing	322		870	1,160	1,073	3,015	1,112	8,452	727	3,388		
Total manufactures	3		691,367	211,582	219,436	226,068	237,905	342,625	244,553	174,063		

See footnotes on next page

PERU

	ISIC	Unit	1973	1978	1979	1980	1981	1982	1983	1984	1985	1986
NUMBER OF ESTABLISHMENTS												
Textiles	321		706	733	762	808	841	877	900	919		
Spinning, weaving	3211		274	300	318	340	353	380	386	390		
Knitting												
Clothing	322		592	724	799	868	937	1,017	1,077	1,129		
Total manufactures	3		7,780	8,952	9,631	10,247	10,770	11,247	11,572	11,975		
PRODUCTIVE CAPACITY												
Textiles	321											
Spinning, weaving	3211											
Knitting												
Clothing	322											
Total manufactures	3											
CAPACITY UTILIZATION												
Textiles	321										61.60	60.45
Spinning, weaving	3211						61.77	56.40	48.15	50.59	57.31	61.77
Knitting												
Clothing	322											
Total manufactures 4/	3						83.50	74.70				
PRODUCTIVITY												
Textiles	321											
Spinning, weaving	3211											
Knitting												
Clothing	322											
Total manufactures 5/	3		2.30									
PROFITABILITY												
Textiles	321					0.25						
Spinning, weaving	3211					0.28						
Knitting												
Clothing	322											
Total manufactures 6/	3					0.28	(0.05)	(1.10)	(0.23)			

1/ 1973: gross value of production. Other years: value of total production.
2/ Data expressed according to ISIC classification 321, 322 and 3.
3/ i.e. engaged directly in the production process.
4/ July 1981 and July 1982.
5/ MT per worker per year.
6/ Textile sector only.