

GENERAL AGREEMENT ON

TARIFFS AND TRADE

RESTRICTED

COM.TEX/SB/1853*

23 July 1993

Special Distribution

Textiles Surveillance Body

ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Notification under Articles 7 and 8

Restraint introduced by Canada on imports from Nepal

The Textiles Surveillance Body received a notification from Canada of a restraint introduced on imports of tailored-collar shirts from Nepal with effect from 1 April 1993.

This notification, made pursuant to a request by the Textiles Committee that measures taken against imports from non-participants be notified, is being forwarded to participating countries for their information.

¹*English only/Anglais seulement/Inglés solamente

TEXT OF DIPLOMATIC NOTE FROM THE CANADIAN HIGH COMMISSION
NEW DELHI

"... the Canadian Authorities wish to refer to the policy of the Government of Canada respecting imports of textiles and clothing. Canada maintains special measures to protect its textiles and clothing industries from market disruption caused by imports. The objective of this policy is to ensure that import growth is kept at a pace that is commensurate with an orderly rate of adjustment that will enable the Canadian industry to adjust to international competition.

This policy has been implemented through bilateral and unilateral restraints on imports from 34 sources. Restraints on imports of textiles and clothing normally take the form of bilateral agreements negotiated in the framework of the Multi-Fibre Arrangement (MFA), which has been concluded under the auspices of the GATT. Negotiations take account of a number of factors, including historical trade performance.

Imports of tailored-collar shirts from Nepal have reached the point where Canada would be seeking to negotiate restraints. This action, moreover, is consistent with Canada's equity obligations under the MFA, which require that non-members not be treated more favourably than MFA signatories. In order to ensure timely action, Canada will be implementing import restrictions on imports of tailored-collar shirts from Nepal. Guidelines on the classification of these products are included in Annexes II and III to this Note. This note provides background information on the Canadian market for tailored-collar shirts, the situation of the Canadian industry, and outlines the action being taken by Canada.

In 1991, imports of tailored-collar shirts from Nepal were 305,000 units, up from 163,000 units in 1990. These imports rose again by 165 per cent in 1992 to reach 809,000 units. Imports of tailored-collar shirts from Nepal in 1992 exceeded 15 out of 24 restraints in place with other suppliers. The FOB import price for tailored-collar shirts sources in Nepal in 1992 was Cdn\$ 4.39 per unit. This equals 59 per cent of the average FOB price for all imports of tailored-collar shirts in 1992 of Cdn\$ 7.32 per unit, and is significantly below the price of the Canadian-made product.

Although the Canadian market for tailored-collar shirts increased by 0.5 per cent from 1990 to 1992, Canadian domestic shipments of tailored-collar shirts are estimated to have declined from 11 million units in 1990 to 8 million units in 1992; a decline of 27 per cent. During the same period, total imports increased by 12 per cent (i.e., from 26 million units in 1990 to 29 million units). As a result, the share of the Canadian market for tailored-collar shirts supplied by domestic manufactures declined from 30 per cent in 1990 to 23 per cent in 1992; this represents the lowest domestic market share to date for this sector. Over the same period, the share of the market held by imports increased from 70 to 77 per cent.

The loss of domestic market share to imports has resulted in the industry operating at between 40 to 50 per cent of capacity, compared to 80 per cent in 1989. The industry currently employs 5,600 people, representing a decline of 15 per cent since 1990. Most of the employees remaining in the sector are operating under work sharing programs.

Loss of market share by Canadian tailored-collar shirt manufacturers to imports is reflective of the weak state of the Canadian textiles and clothing industry as a whole. From 1982 to 1989, employment in clothing fell by 18 per cent, from 104,000 to 85,000 employees. The textiles sector suffered a 24 per cent drop in employment over that period, from 58,900 to 44,500 workers. These two industries account for 9 per cent of manufacturing employment in Canada. Whereas the textile industry tends to be concentrated in small towns (where it is the dominant employer), the clothing industry is located in major urban areas. The clothing industry is the largest industrial employer in the City of Montreal and one of the largest in the Province of Quebec. The Province of Quebec alone accounts for over half of the Canadian production of textiles and for over 60 per cent of Canadian apparel production. The other major centres of apparel production are Toronto and Winnipeg. The apparel industry employs a large number of new immigrant workers, many of whom are women, from African, Asian and other countries. Many of these workers do not have the necessary skills to allow them to be retrained for other employment.

The purpose of this restraint action is not to rollback the level of imports from Nepal, but rather to prevent import surges. As indicated in Annex I to this Note, the annual restraint level for imports of tailored-collar shirts from Nepal will be established at an annual level of 809,000 units which reflects the 1992 import level from Nepal. The restraints will be effective initially for the period 1 April to 31 December 1993. The prorated quota level will be 606,750 units, which is three-quarters of the annual level of 809,000 units. Quota shares will be allocated by Canadian Authorities to Canadian importers and will reflect importers' historical performance in importing tailored-collar shirts from Nepal. Imports will be debited from quota shares on the basis of the date of importation. A portion up to 25 per cent of the quota will be made available for allocation on a pro rata basis to importers without historical performance that have entered into outstanding irrevocable commitments for imports from Nepal prior to 11 March 1993.

The Canadian Authorities emphasise that this action is being taken in response to the rapid increase in imports of tailored-collar shirts from Nepal. Canadian Authorities remain available for consultations on any matter relating to this action, including the issue of quota allocation for 1994 and subsequent years..."

ANNEX I

- Tailored-collar shirts: 809,000 units per annum, pro-rated to 606,750 units for the period 1 April 1993 to 31 December 1993.

Category 6

Tailored-collar shirts, MBC

Tailored collar shirts, for men, boys and children, are knitted, crocheted or woven garments designed to cover the upper part of the body, worn next to the skin or directly over underwear, with a full or partial front opening which may include a zipper, and may be designed to be worn either inside or outside of pants.

A tailored collar consists of one or more pieces of material which are cut and sewn or cut and fused and designed with two pointed or rounded ends. The construction may include stays, lining, and stiffening by means.

Included in this category are shirts with detachable collars, dress shirts, sports shirts and leisure shirts, all of which are fitted with a tailored collar.

Shirts having a front opening on the neckline which fastens or overlaps left over right are considered to be garments for men and boys.

Tailored collar shirts for children are classified according to sizes 2 to 3x and 4 to 6x.

This category does not cover garments having pockets below the waist, those with a ribbed waistband or other means of tightening at the bottom of the garment, or knitted or crocheted shirts having an average of less than 10 stitches per linear centimetre in each direction counted on an area measuring at least 10 cm x 10 cm. Sleeveless garments are excluded.

Quilted shirt like garments, with tailored collar, shall be treated as products of Category 2.0.

DETAILED CLOTHING CATEGORIESCATEGORYDESCRIPTION6 - Shirts (with tailored collar) - MBC, k/c & woven

<u>Gender</u>	<u>Wool or fine</u>	<u>Cotton</u>	<u>Man-made fibres</u>	<u>Silk or silk waste</u>
	<u>animal hair</u>			<u>LE 70%</u>
				<u>Vegetable fibres</u> <u>LE 85%</u>
Men's & boys'	6105.90.00.11	6105.10.00.11	6105.20.00.11	6105.90.00.21
				6105.90.00.31
	6205.10.00.11	6205.20.00.11	6205.30.00.11	6205.90.00.11
				6205.90.00.31
Children's (sizes 4-6x)	6105.90.00.12	6105.10.00.12	6105.20.00.12	6105.90.00.22
				6105.90.00.32
	6205.10.00.12	6205.20.00.12	6205.30.00.12	6205.90.00.12
				6205.90.00.32
Children's (sizes 2-3x)	6105.90.00.19	6105.10.00.19	6105.20.00.19	6105.90.00.29
				6105.90.00.39
	6205.10.00.19	6205.20.00.19	6205.30.00.19	6205.90.00.19
				6205.90.00.39

MBWGC: Men's, boys', women's, girls' and children's
k/c & woven: knitted or crocheted & woven