

RESTRICTED

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GENERAL AGREEMENT ON
TARIFFS AND TRADE

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ARTICLE XIX - ACTION BY CANADA

Double-knit Fabrics

Addendum

Modification of Action

The following communication dated 15 February, has been received from the Permanent Mission of Canada.

I have been instructed to inform you, for the information of the contracting parties, that pursuant to findings and recommendations of the Canadian Textile and Clothing Board contained in its supplementary report of 3 November 1976, respecting the effects of imports of double-knit fabrics on Canadian production, the Canadian Government will impose a three-year global quota on double-knit fabrics under Article XIX of the General Agreement, commencing on 8 April 1977, that is upon the expiry of the interim measure introduced on 8 October 1976 (reference document L/4450). The quota level during the first year will be 8.5 million pounds, which will be distributed among Canadian importers semi-annually based on their individual historical import performance.

In its supplementary report the Textile and Clothing Board determined that a further deterioration in market conditions has aggravated the already depressed situation facing Canadian production of double-knit fabrics documented in the Textile and Clothing Board's earlier interim report. The Textile and Clothing Board found that employment in the sector has been further reduced, and that individual producers are operating at levels as low as 20 per cent of capacity and on shortened work weeks. Current order positions are considered to be abnormally low, with some knitters having received no new orders for several months. Prices have been further reduced and are now just covering variable costs. In the case of vertically integrated companies, double-knit fabric finishing facilities have had to cease operations completely. Small commission knitters have virtually disappeared. The latest surveys show a 50 per cent reduction in the number of double-knit machines in

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operation. In contrast, the import share of the Canadian market increased to 48 per cent during the first half of 1976 from 35 per cent during the corresponding period in 1975.

In its report the Textile and Clothing Board states, that in light of the serious injury being caused to domestic producers, a quota of 8.5 million pounds is the maximum quantity which it estimates can be absorbed by the Canadian market under current conditions while providing an opportunity for the Canadian industry to become re-established on a viable basis.

Increases, if any, in the quota levels for the second and third quota years will be determined at a later date, and will depend on growth in the apparent Canadian market for these fabrics.

