

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED

L/5854

6 August 1985

Limited Distribution

Original: English

NOTIFICATION IN PURSUANCE OF PARAGRAPH 3 OF THE
UNDERSTANDING REGARDING NOTIFICATION CONSULTATION,
DISPUTE SETTLEMENT AND SURVEILLANCE

Canadian Footwear Industry

The following communication, dated 23 July 1985, has been received from the Permanent Mission of Canada.

The Honourable James Kelleher, Minister for International Trade, released 4 July 1985 the report of the Canadian Import Tribunal on its enquiry into the Canadian footwear industry, including the possible need for continued special measures of protection.

The Tribunal's report is based on the most comprehensive investigation conducted to date into the Canadian footwear sector and included an examination of the restructuring by Canadian footwear manufacturers, the future competitive prospects of the industry, and the impact of the quotas on consumers, importers and retailers. Also, in the event of a finding of injury or threat thereof, the Tribunal was asked to propose approaches for a phase-out of import quotas over a three year period. All interested parties were given full opportunity to make submissions to the Tribunal both in writing as well as in public hearings.

The Tribunal's report includes a detailed analysis of the five broad sectors of the domestic footwear market namely, men's and boy's dress and casual footwear; women's and girls' dress and casual footwear; slippers; children's and infants' and special purpose footwear.

In general, the Tribunal has concluded that the industry has made significant progress in restructuring since its last investigation and that several sectors of the industry are now in a position to meet import competition without special measures or protection.

The only exception is in the women's and girls' footwear sector, where the Tribunal found that Canadian

producers would be vulnerable to import competition without quota protection. The Tribunal recommended that quotas be maintained on imports of women's and girls' footwear for an additional three years. The Tribunal also recommended that these quotas be phased out during this period.

The Government of Canada is prepared to consult with those contracting parties having a substantial interest in this matter.

Following is a summary of the conclusions and recommendations of the Canadian Import Tribunal in its Report Respecting the Canadian Footwear Industry, June 1985.

The Tribunal has found that since 1980 the Canadian footwear industry has been undergoing a process of adaptation, adjustment and change. Efficiency and productivity have improved significantly, price and cost performance have been good and the financial record has on the whole been strong relative to that of other industries. The industry has decreased its production of those classes of footwear in which its ability to compete is low and has placed greater emphasis on production of those classes in which it can succeed. However, the Tribunal also found that the smaller producers of women's and girls' dress and casual footwear, which are primarily located in Montreal, would tend to be injured by import competition in the absence of import quotas.

The Tribunal has recommended that:

- (a) Quotas be removed from types of footwear which are not produced in volume in Canada and which are not directly competitive with and substitutable for footwear made in any volume in Canada. Athletic and leisure footwear, which constitute the bulk of the special purpose sector, fall into this category;

- (b) Quota protection be removed from classes of footwear in which domestic producers are able to compete without such protection. Winter boots, skates and men's and boys' footwear (including work boots) fall into this category;
- (c) Quotas be removed from children's footwear, slippers and other special purpose footwear where the industry has adjusted to changes in the market;
- (d) Quotas be continued on women's and girls' dress and casual footwear where some producers remain vulnerable to competition from imports. At the same time the Tribunal recommended that quotas be removed from women's and girls' winter boots, and injection moulded plastic footwear such as "jellies";
- (e) Existing quota exemptions (e.g. on women's and girls' orthopedic footwear and on higher priced leather boots and shoes, etc.) be continued;
- (f) Quotas on women's and girls' footwear be phased out over the next three years by increasing the quota level by 10 percent each year and by progressive reductions in the price points above which footwear is now exempt from quota coverage; and
- (g) Every effort be made to assist workers and communities affected by the adjustment process. In this regard, Canadian Industrial Renewal Board (CIRB) programs should be used to their fullest and, if necessary, funds should be increased and the life and mandate of the CIRB be extended until phase out is complete.