

GENERAL AGREEMENT ON TARIFFS AND TRADE

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ARTICLE XIX - ACTION BY CANADA

Footwear

Termination and Phase-Out of Quotas

Addendum

The following communication, dated 26 November 1985, has been received from the Permanent Mission of Canada.

The Government of Canada wishes to advise the Contracting Parties of its decision to remove footwear quotas for all footwear categories, effective November 30, 1985, except for that of women's and girls' dress and casual footwear.

Quotas on imports of women's and girls' dress and casual, leather and non-leather footwear will be completely phased out over a three-year period from December 1, 1985, and during that period will incorporate increases in quota levels of six, eight and ten percent per year respectively. The imposition of these quotas is based on a finding of the Canadian Import Tribunal of actual or threatened injury to the women's and girls' footwear sector in the absence of special measures of protection.

The following items will be exempt from quota coverage:

- (a) women's and girls' cowboy boots whose value for duty exceeds \$50 (CDN) per pair leather and non-leather;
- (b) women's and girls' orthopedic footwear (to be sold under medical prescription), leather and non-leather;
- (c) women's and girls' highland dancing pumps and jig shoes, leather and non-leather;
- (d) women's and girls' leather shorts and sandals with value for duty of at least \$35 (CDN) per pair;
- (e) women's and girls' leather boots with value for duty of at least \$60 (CDN) per pair;
- (f) women's leather footwear of size 12 1/2 (metric size 43) and over, leather and non-leather;
- (g) women's and girls' footwear with steel toe caps, leather and non-leather;
- (h) women's and girls' beach type sandals;
- (i) winter boots; and
- (j) injection moulded plastic footwear.

The overall quotas on women's and girls' leather and non-leather footwear in the period from December 1, 1985 to November 30, 1986, will be determined on the basis of the level of imports of such goods between December 1, 1984 and November 30, 1985 plus 6%. For the second and third years of this quota regime, the growth rates will be 8% and 10% respectively.

The exact overall quota level quantities will be fixed once importers of record for the period December 1, 1984 to November 30, 1985 submit documentary evidence of actual imports. This process should be completed within 3 to 4 months. Importers of record will receive substantial allocations to permit day-to-day commercial activity to proceed in an unimpeded fashion. Final allocations will be made upon the completion of the auditing procedure. Once finalized, exact overall quota level quantities will be communicated to the Contracting Parties.

In coming to this decision, the Canadian government took into consideration the conclusions and recommendations of the Canadian Import Tribunal in its June 1985 report respecting the Canadian footwear industry.

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 would tend to be injured by import competition in the absence of import quotas.

While the Tribunal has found that the process of industry adjustment has been significant, the Canadian government remains committed to assisting the Canadian footwear industry to restructure and modernize its operations in order to meet international competition. Several Canadian footwear manufacturers have taken advantage of financial assistance made available through a program administered by the Canadian Import Renewal Board (CIRB) which is intended to foster the development of a more competitive footwear industry. While the CIRB expires in 1986, assistance of a similar nature may be available under the Industry and Regional Development Program (IRDP) particularly for those firms located in depressed employment areas.

The government of Canada is prepared, in accordance with the requirements of Article XIX of the GATT, to afford an opportunity to those Contracting Parties having a substantial interest as exporters of women's and girls' footwear covered by the measure, to consult with respect to this action.