ARRANGEMENT REGARDING INTERNATIONAL TRADE IN COTTON TEXTILES

Control of Cotton Yarn Imports by Canada

The following communication, dated 23 June 1971, together with the attached Government announcement, has been received by the Director-General from the Canadian mission for notification to the Cotton Textiles Committee.

I have the honour to inform you that the Canadian Government wishes to advise members of the Cotton Textiles Committee of the steps it is taking, as announced on 22 June, to prevent serious injury to Canadian cotton yarn producers which may result from unduly large quantities of imports into Canada of disruptively-priced cotton yarns classified upon importation under Canadian Customs Tariff Items 52101-1 and 52107-1. The yarns in question are standard count or general purpose yarns. Specialty yarns imported under other tariff items will not be affected. The steps described are being taken pursuant to the recommendations of the recently established Textile and Clothing Board and in accordance with the provisions of the Cotton Textiles Arrangement.

As members of the Cotton Textiles Committee will be aware, since 1963 Canada has, in the face of severe disruption of the Canadian yarn market from low-priced imports, found it necessary to negotiate restraint arrangements on cotton yarn with a number of supplying countries. These restraints have in general applied to cotton yarns of all types. The Canadian Government will now enter into consultations with all countries supplying disruptively-priced yarns of the types classified under Tariff Items 52101-1 and 52107-1 with a view to renewing existing arrangements and concluding new restraint arrangements on the basis of the more limited product coverage.

At the end of the sixty-day period for consultations, provided for in the Cotton Textiles Arrangement, the yarns to be restrained will be placed on the import control list. A general import permit will then be issued to allow the importation, without the necessity of import permits for individual shipments, of the restrained yarns from countries with which a mutually acceptable restraint arrangement has been agreed and from countries whose exports of cotton yarns to Canada are normally priced at levels which would not cause disruption in the Canadian market. A global quota will be established to limit imports of the restrained yarns from all other countries, including countries which may not at present be exporting cotton yarns to Canada. In determining the amount of the global quota, which will be announced at that time,
past levels of imports or restraints of the countries to be included will be taken into account.

Members of the Committee will note that until recently, there was no legislation in Canada to enable the Canadian Government to apply limitations on imports in the manner and in the circumstances envisaged in Article 3 of the Arrangement. Through a recent amendment of the Export and Import Permits Act, quantitative import controls may now be applied in certain circumstances where imports are determined to be causing or threatening serious injury to Canadian producers.¹

The measures being taken by the Government will be reviewed annually with a view to their modification or removal as soon as conditions warrant.

¹See COT/194.
The Minister of Industry, Trade and Commerce, the Honourable Jean-Luc Pepin, today tabled in the House of Commons the first report of the Textile and Clothing Board on its enquiry into the effects of imports of cotton and polyester/cotton yarns on Canadian producers. In its report, the Board concludes that low-cost imports of cotton yarn have caused serious injury to domestic producers and that a threat of further serious injury exists. It also found that much of the Canadian industry has reached a high level of efficiency and that the adjustment plans presented by domestic producers for maintaining their efficiency and improving their ability to compete satisfy the conditions established under the Government's textile policy.

The Board states that the serious injury which it found to exist "is attributable to the commencement of or sharp increases in imports ... accounted for by individually erratic but collectively progressively increasing shipments from a number of low-cost sources which prior to 1960 had not been a significant factor but which by 1969 supplied about 20 per cent of the total apparent Canadian market for cotton sales yarn". In its conclusions and recommendations to the Government, the Board states that low-cost imports of cotton yarns should be held to the levels of the recent past and indicates ways in which this might be done consistent with Canada's international obligations. In considering the interests of the Canadian consumer, the Board concluded that the action recommended would have no significant effect on retail prices.

The Government accepts the Board's recommendation and is taking the following steps to prevent further serious injury to domestic producers of cotton yarns:

(1) The Government will, as in the past, and in accordance with Canada's obligations as a party to the Cotton Textiles Arrangement under the GATT, enter negotiations on voluntary restraint arrangements with all countries exporting low-priced cotton yarns to the Canadian market. Canada has had restraint arrangements with a number of the countries concerned for many years.

(2) A quota will be established to place a ceiling on imports of cotton yarns from low-cost countries which do not accept restraint arrangements within sixty days of the commencement of the negotiations. Other industrialized countries have imposed quota limitation as provided for in the Cotton Textiles Arrangement in like circumstances but Canada has not previously been in a position to adopt this procedure. This is now possible under the authority of the Export and Import Permits Act which was recently amended to permit the implementation of the Government's textile policy.
(3) Only general purpose cotton yarns under Tariff Items 52101-1 and 52107-1 are covered by the decision. Special purpose cotton yarns previously subject to voluntary restraints may be allowed into Canada free of such restriction.

(4) The operation of the measures taken by the Government will be reviewed annually by the Textile and Clothing Board with a view to recommending their modification or removal whenever conditions warrant.

In recent years Canada has imported significantly more cotton yarn per capita than have most other industrialized countries. In commenting on the decision of the Government, the Minister said that the level of restraints proposed will not reduce actual imports of cotton yarn below levels prevailing in previous years. However, by removing the threat of further serious injury, it will provide a measure of stability in the Canadian market, enable Canadian producers to move forward with their restructuring plans and, most important, ensure that employment in the industry can be maintained. In this connexion, the Textile and Clothing Board notes in its report that while the restructuring and investment plans submitted by domestic producers are designed to ensure that they remain or become efficient and technologically advanced producers, they do not envisage a net addition of production capacity for cotton yarn.

The Minister also pointed out that the Board did not find injury in the case of polyester/cotton blend yarns. However, in view of a possible major change in the situation, imports of all yarns of cotton blended with man-made fibre will be monitored closely by the Board.