STATEMENT BY MR. CAMPBELL STUART, HEAD OF THE CANADIAN DELEGATION, AT THE MEETING OF 2-4 MAY 1973

We have listened with great interest to the comprehensive statements made by the distinguished representatives of Brazil and Japan yesterday afternoon, and again to the useful interventions this morning of Hong Kong, Poland and Spain. We believe that the point made by Minister Batista is being well met and that we are receiving an excellent outline of the problems faced by various countries. We look forward to hearing from the rest of the members and believe that this will result in a tabling of all the problems by the conclusion of our work here this week.

The GATT study of fact has highlighted the general problems facing the textile and clothing industry in many countries including Canada.

World output of textiles and clothing has risen substantially in the last decade. Production in industrialized countries has also risen, but at a lower rate. Further, production in many of these countries has actually declined since 1960 in a number of specific product areas. At the same time, imports into industrialized countries have increased across the board including those sectors where production has been declining.

Squeezed between declining markets and rising imports, these sectors of the textile industry have suffered plant closures and worker layoffs. The social and economic consequences have been especially acute for Canada, already plagued with a national level of unemployment higher than any other industrialized country, and much higher levels in those regions where the textile industry has traditionally provided the major source of employment, and where alternative job opportunities are limited.

Canada adopted a national textile policy in 1970 aimed at facilitating the adaptation of the Canadian industry to the problems and challenges of the changing circumstances of the times. Other countries have also taken various steps to meet the problems they are experiencing. But it is clear that a continuance of the piecemeal approach is no long (if it ever has been) an appropriate framework for dealing with problems which are global in their impact and require solutions which are multilateral in their effect.
The ultimate goal of our work is to devise such solutions before the situation deteriorates further or else we shall face the prospect of a textile trading world which will be even more disturbed in the present decade than it has been in the past ten or fifteen years.

I would like to spell out some of the key problems being faced by the Canadian textile industry today.

Imports of textiles and clothing into Canada have been growing rapidly and in many sectors have caused disruption in the Canadian market. Import penetration has reached or passed the critical level in some of these sectors to the point where Canadian producers are threatened with total elimination from their home market.

As I have mentioned, Canada introduced a new textile policy in 1970. Details are covered in the Working Party Study but I would like to review some of the major features at this time as I believe these are relevant to some of the points which have been raised. The central feature of interest in our deliberations is the establishment of the Textile and Clothing Board, an independent body which conducts enquiries into alleged disruptive imports. This is done on a selective, or product-by-product basis. All interested parties may submit briefs, public hearings are held and the Board's reports are published. There are three principal aspects in the Board's consideration:

(1) The Board must first consider whether or not the importation of the particular products has caused serious injury, or is threatening serious injury to the sector concerned.

(2) All Canadian companies alleging that they are being injured must submit plans for re-structuring their operations in order to improve their ability to compete with imported goods in the Canadian market.

(3) Only after the Board concludes that there has been serious injury, or threat thereof, and that the plans submitted meet the criterion I have mentioned, may the Board recommend to the Government special measures of protection.

In its considerations the Board is required by law to have regard for a number of criteria:

1. **Manpower and regional problems:**

Members will be aware that 60 per cent of the Canadian industry is located in the Province of Quebec where the rate of unemployment is higher than the national average. Further, much of the industry is located in small towns where there are very few alternative opportunities for employment. This has led to serious political, social and economic problems.
2. The Board is required to have regard for the provisions of the GATT and of the long-term arrangement as well as any other international agreements, present or future, which may be relevant.

3. The Board must take into consideration the interest of Canadian consumers.

4. The Board is required to take into account the principle that special measures of protection are not to be implemented to encourage the maintenance of lines of production which have no prospect of becoming competitive with foreign goods in the Canadian market.

5. The Board has to take into consideration conditions in international trade in textiles.

   Special measures of protection are only to be applied on a temporary basis - for such time as is necessary to meet the particular situation. Furthermore the Board conducts annual reviews of the measures during which it determines whether the serious injury or threat thereof still exists, reviews progress being made by Canadian producers in implementing their plans and recommends appropriate levels of limitation if required, i.e. growth rates.

   Reference has been made to the perpetuation of restraints. As an illustration, the Board enquired into the importation of sweaters which had been under restraint by several countries. It found that injury no longer existed and the restraints were dropped promptly.

   Reference has also been made to the question of equity. In its enquiries the Board considers all sources of imports and recommends measures for those sources which are found to be disruptive. Where appropriate the Board's recommendations have covered imports from all sources, including all of those mentioned by the delegation of Japan yesterday afternoon.

   Incidentally, Minister Batista referred to "low-cost" sources. Perhaps it is more appropriate to say "low-priced" or "disruptive". Minister Batista suggested that countries should be divided, not as importing or exporting countries, but as restrained and restraining countries. In fact all countries represented here are both importers and exporters. It should also be noted that many of the "restrained" countries themselves employ a broad range of devices which distort international trade in textiles. These affect both imports and exports. Indeed we were interested to note that one country, a major exporter of cotton yarn to Canada, in fact sold this yarn over an extended period at prices below that of raw cotton.

   One other problem I would like to draw attention to is that of the new, or late entrant. This is of course primarily a problem for the exporting countries concerned, but it is also a problem which causes concern to the importing countries. It should be made clear however that importing countries which are already accepting an undue volume of imports cannot alone accommodate the aspirations of new entrants.
We believe that our policy is forward-looking and envisages the orderly development of international trade in textiles. We also believe that some of its features may well commend themselves to the Working Party when considering solutions.

At the time the policy was announced, questions were raised in certain quarters that it might have an unduly restrictive effect on imports. Members will be interested to know that in the two years since it was announced imports have risen by almost 50 per cent. My Brazilian colleague might consider this to be "phenomenal". Since this increase has occurred in the last two years, it is of course, not reflected in the report of the Working Party of last December.

Indeed the increase has raised the share of imports in the Canadian market for textiles and clothing to more than 50 per cent. We have noted that many delegations have used percentages describing increases in imports. The real significance of these percentages can only be judged of course in relation to the actual figures. Canada's imports were already among the largest per capita of any of the major importing nations before this increase took place. In 1972 these imports exceeded $1,000 million or about $45 per capita on an f.o.b. basis. This figure would of course be higher if we used c.i.f. statistics as do most members.

Reference has also been made to the balance of trade in textiles. While we do not consider an unfavourable balance to be necessarily a bad thing, it is perhaps one symptom of the problem that Canada's unfavourable balance increased by 60 per cent from $545 million in 1970 to over $800 million in 1972.

Clearly, Canada can hardly be accused of not having done its share to accommodate the textile exporting countries. Equally clearly, the economic social and political consequences of an uncontrolled growth in disruptive imports and the resultant progressive and widespread deterioration of an important industry which employs some 200,000 workers cannot be contemplated by the Canadian Government.

The impact of disruptive import penetration can be illustrated in terms of plant closures and worker layoffs in the last five years - approximately 200 shutdowns affecting about 10,000 workers. And these developments have taken place at a time when Canadian consumption of textiles and clothing have been expanding strongly. Further, many of these closures have occurred in small communities where the major, often the only source of employment is the textile industry. Laid-off textile workers as a group face special difficulties in finding re-employment since their skills are not easily transferable to other industries, even if sufficient alternative employment opportunities existed. Worker mobility and retraining is also restricted because of the level of education, language, family ties and the relatively older age of textile workers. The closure of textile and clothing plants also adversely affects employment and production in related supplying industries. Plant closures also involve substantial social costs particularly in non-metropolitan communities.
It is not the intention of the Canadian Government to sustain artificially those segments of the Canadian textile and clothing industry which would not be viable under normal circumstances. By and large, however, the industry has made significant adjustments to changing conditions and a considerable degree of modernization and restructuring has and is taking place. Under its textile policy the Canadian Government will continue to encourage and support these developments.

Nevertheless, national policies alone are not sufficient to sustain a healthy industry in a world where the impact of the policies of other countries, particularly the larger trading nations, are felt far beyond their national boundaries. Canada holds strongly to the view that a multilateral approach to these problems has been long overdue. Further, it is our view that it will be possible for exporting and importing nations alike to work together in devising multilateral solutions to these problems - solutions which will permit a more orderly development of world trade in textiles under arrangements equitable to all exporting and importing countries.