STATEMENT BY MR. CAMBELL STUART, HEAD OF THE CANADIAN DElegation,
AT THE MEETING OF 6 JUNE 1973

At our last meeting on 2-4 May, the Canadian delegation made a somewhat lengthy statement in which we outlined the problems faced by Canada in textile trade and indicated in a general way the nature of the solutions that we had in mind. I do not intend to go over that ground again this morning. The stateent has been reproduced in TEX/W/15. My delegation has delayed speaking in this session until this morning as we felt we had, as I said, covered in a general way, our views at the last meeting and we thought it might be preferable to hear the statements of others before considering what further we should say.

In our view a very good groundwork was laid at the last meeting in defining the problems faced by the members of this Working Party, and we believe that this groundwork has been carried forward during the last few days in the range of possible solutions which have been proposed by many members. There has been a suggestion, a strong suggestion in some cases I might add, that all members of the Working Party have perhaps not defined their problems in the degree of detail that some other members might have wished. However we believe that these problems exist - the countries concerned have stated that they exist. It would appear that these countries are convinced that they exist and therefore the problems are real and wishing that they might quietly go away will not change the reality of the situation. The representative of the United Kingdom, speaking on behalf of Hong Kong, I believe, referred to this difficulty but he concluded that the rule of law was preferable to anarchy.

This is the real choice that we are faced with and we for one have no hesitation in opting for the rule of law. We have here an opportunity to devise an accord which will be an improvement on the Long-Term Arrangement as regards cotton and which will be much preferable to the law of the jungle which we have as regards other textile products. We should take this opportunity and we should take it promptly. The expiration of the Long-Term Arrangement on 30 September presents us with a real deadline I submit, both as regards the law which now exists and as regards the potential impact, whether or not we like it, on the prospects for a successful multilateral trade negotiation. As I have said before in this Working Party, failure to find a solution will not only result in increased protectionist pressures in the field of textiles, but this failure might well result in increased protectionist pressures in other sectors.
On the other hand, we have been greatly encouraged by the statements of other major importing countries who have indicated willingness to consider a range of elements of possible multilateral solutions, and especially the suggestion by the United States that the timing for reaching a reasonable solution is favourable, having regard for the present position of textile industries worldwide.

We have listened with interest to the statements made in the last two days which have outlined with varying degrees of precision many elements of possible solutions. These, we believe, already indicate in broad terms the range of possible solutions and will enable us at the next stage to explore their practicability, to understand the inter-relationships between the elements and to elaborate on them with a view to reaching what must be our common goal, the devising of a mutually satisfactory single solution consistent with the considerations set out in the preamble to our terms of reference. While saying that these elements of possible alternate solutions should form the basis of our consideration, after all each represents the preoccupation of one or more members of this Working Party, I am not saying, of course, that Canada endorses all or any particular one of them.

I would, however, like to take this opportunity to throw a few more ideas into the pot. Some may be new, most are offered as possible elaborations on some of the elements which have already been flagged.

Perhaps the first point on which many delegations have focussed is the question of market disruption. Many members have suggested that there should be more specific criteria. Some have gone so far as to list such suggested criteria. However, I was struck by the intervention of the delegate of the United Kingdom, speaking on behalf of Hong Kong again, who pointed to the complexity of market disruption criteria and who suggested that the problem did not lend itself to a formula approach. With this we are in general agreement. On the other hand, the representative of the United States suggested that the Long-Term Arrangement contains a reasonable statement of elements and with this we are also in general agreement. These criteria are elaborated in Annex C to the Long-Term Arrangement and it would be our view that items 1 and 2 in Annex C, dealing with volume and price of imports appear adequate. However, item 3 which deals with serious damage lacks any criteria. We would suggest, for the consideration of the Working Party, that we might try to adapt Article 3(b) of the Anti-Dumping Code to provide criteria for damage. In case members have not recently read this particular section of the Anti-Dumping Code I would be so bold as to read it. It's not very long:

"The evaluation of injury - that is the evaluation of the effects of the dumped imports of the industry in question - shall be based on examination of all factors having a bearing on the state of the industry in question, such as: development and prospects with regard to turnover, market share, profits, prices (including the extent to which the delivered, duty paid price is lower or higher than the comparable price for the like product prevailing in the course of normal commercial transactions in the importing country), export performance, employment, volume of dumped and other imports, utilization of capacity of domestic industry, and productivity; and restrictive trade practices. No one, or several, of these factors can necessarily give decisive guidance".
Obviously this requires adaptation but we believe that the elements of meaningful criteria for damage to supplement the statement in item 3 of Annex C to the Long-Term Arrangement are present. Indeed it would appear to cover the majority of the nine criteria proposed by Brazil.

The second principal point which has been touched on by members has been referred to by various words, discipline perhaps was one of them. I refer to an effective system of surveillance. We consider this to be an essential element and I may say in passing that we are very pleased to note that the Community has endorsed this principle. I would propose to leave the matter of surveillance for the moment and refer to it later as we have some ideas of a rather preliminary and tentative nature as to how this might work.

Now if we can devise an acceptable arrangement to meet these two points of improved damage criteria and surveillance then many other things will flow from this in looking at other possible elements. But these two are the twin pillars of the sort of improved arrangement that we would envisage.

The first of the elements which would flow from these two basic ones, and my third element, is the principle of selectivity. If damage must be demonstrated then it must be done, in our view, on a selective basis. It is, I think, almost inconceivable that damage could be caused simultaneously to all yarns, fabrics, made-ups and apparel of all types. At the same time, we should avoid the rigidity that would be imposed by a pre-classification of products. Many of us do this, of course, and it does cause problems, particularly as we do it in different ways. We would suggest that a meaningful test of the product for use in evaluating damage and the other actions that might flow from this, would be that the item causing damage is a product or a group of products which are commercially definable and which compete for the same segment of the market. This may cover a wide range of fibres, for example, or a narrow grouping but the test should be what happens in the market place.

The second element which we believe flows from the first two, my number four, is the question of product coverage of the arrangement as distinct from the product that would be the subject of specific restraint, if necessary. This, in the nature of the approach we are suggesting, should be fully comprehensive and I was heartened to note that the representative of Spain apparently shared this thought. It has been intimated that diversity of products by fibre, by process, by end-use might justify the exclusion of some specific products from the coverage of an arrangement. In our view, the very complexity of the situation, the rate of change technologically and in all other ways in this industry which we have examined at considerable length would seem to argue against pre-judging that certain items, because of current situations which might well be transitory, should be excluded from the possibility of action in accordance with an arrangement. Indeed, if these particular current situations that have been adduced are valid then, under the approach that we have proposed, the likelihood is, I would say, that they would not be the subject of action. But we should not pre-judge. We have learnt, I think, what can happen when we pre-judge, as under the Long-Term Arrangement where we made an arbitrary definition of cotton without
regard for the development of blends. In fact, this made the cotton arrangement difficult to work with because there was no clear terminal point in the coverage. Today, we have more and more blends of all types, almost by the week. We are also mindful of the pleas of certain countries regarding special treatment for cotton. However, the logic of the approach we are proposing leads us to the conclusion that one cannot give that type of assurance in advance. The protection here, if you like, for those countries lies in the elements that we incorporate into an accord. We do note, however, the Indian proposal that products of the handloom industry be excluded and we believe that this is a subject worthy of serious consideration, subject, of course, to certain elaborations of definitions and mechanisms to avoid abuse.

The final element that we think flows very directly from the first two, and my fifth point, is the question of country coverage, that is country coverage when action of a restrictive nature is being taken. It has been suggested that such action should be taken only against countries actually responsible for the disruption, and that other countries should be exempt. This is an attractive philosophy but, as pointed out by the representative of the United States, the fact is that it is the totality of disruptive imports of a given product which causes the damage. Thus, we do not believe that it is possible to exclude certain countries automatically. It may well be, of course, that certain countries, although contributing to market disruption, have been minor suppliers or orderly exporters in which case restrictive action might be unnecessary. However, the possibility must be provided for. I realize that this view will not commend itself to some of my developing country colleagues but the logic seems inescapable, even excluding the question of equity to restraining countries.

I think there is a point that needs to be made in this connexion. There have been many references, and I think we have all agreed, that a new arrangement needs to lead towards liberalization, needs to improve access, and I have no doubt that various specific proposals will be made to this end. However, it is our belief that the approach we have outlined - the damage criteria, the surveillance procedure, the selectivity as to product - in effect provides the essential framework for a substantial improvement in access.

I would like to make some suggestions also with regard to the restrictive measures themselves that might result from recourse to the procedures we are suggesting. First, and my sixth point, as has been suggested by several delegates, we believe that when specific restrictions are deemed to be necessary, in accordance with the elements we have discussed, that a solution should first be sought, whenever practicable, through negotiation.

Secondly, and number 7, it would follow obviously, that all new restrictive measures, whether they are unilateral or bilateral, must conform with the criteria and provisions of the accord, and also, number 8, that all restrictive measures, unilateral and bilateral, should be reported promptly by the member requiring the restraint. This report should give full details of the measure and be supported by adequate information to meet the criteria for market disruption.
The fourth of these elements, and the ninth on my list, has to do with existing restrictions, restrictions in effect at the time the new arrangement might come into effect. We believe that all of these must be phased out or justified, and if necessary, modified, as quickly as possible to bring them into conformity with the new accord. This would apply equally to unilateral and bilateral measures, using as an example, the categories in the Long-Term Arrangement, Articles 2, 3 and 4. I said it should be done as quickly as possible; I imagine in this real world some maximum time period would need to be provided; perhaps two years might be reasonable.

I mentioned earlier that I would say a little more about surveillance. It appears to my delegation that the review function, as it has been carried out in the Cotton Textile Committee, has been something less than satisfactory. So we would suggest instead a sub-committee of the group of adherents to a new accord, that would have limited membership, perhaps rotating, and which would be balanced as between the diverse interests represented. I would like to emphasize in making this suggestion that the aim is not to prevent members belonging to the sub-committee, but rather to make it different and to make it more possible - more likely - that the necessary time would be taken to examine the issues objectively - not to meet for two days and go once over lightly - but to give full and proper considerations to the matters before it.

I have already mentioned a meaningful reporting provision. This, of course, would form the basis of the sub-committee's review function. The sub-committee would review all measures annually, both new ones which had been taken since the last review and old ones which were carrying on into another year. All these should be reviewed. The countries requiring restraint should be prepared to answer any further questions that might arise during consideration by the sub-committee and, of course, countries affected by these measures, the countries exercising export restraint or being unilaterally restrained, would also be able to appear. Following this thorough consideration the sub-committee would report to the group of adherents to the arrangement.

There are, I think, two other major elements that we would like to mention, as well as some minor ones, if you will bear with me. One that has received a great deal of attention - (item 10) - is the problem of new entrants, mentioned by many as a special problem. We ourselves were particularly struck by the intervention by the representative of Sri Lanka. Hong Kong also referred to it although as in the case of most members who spoke on it, they had no concrete proposals to make. However, Hong Kong did mention the exacerbation of the problem by the comprehensive approach and went on to suggest that the importers should make available all the additional access required to cope with this problem. Under the approach we have been proposing we would suggest that the exacerbation feature mentioned by the representative of Hong Kong would be removed, would disappear, but the problem of course would not disappear. We have also looked at the two specific suggestions made by the representative of Sri Lanka, but these do not appear to be consistent with the general approach which we have proposed. So we would suggest two other ideas which might be
worth pursuing. First, given a certain percentage growth rate for a particular period, the larger suppliers might content themselves with a somewhat lower percentage rate of increase, though higher in absolute terms, while the small suppliers might receive a higher percentage rate, though presumably this would be lower in absolute terms. The other idea that we had was that we might be able to devise some formula whereby, when an existing quota restraint level is under-utilized, some part of this might be transferred to those who are fully utilizing and that, in doing this, some preference might again be given in percentage terms to the smaller suppliers. This does not mean that existing suppliers are providing the access for the new ones but rather that they are taking a somewhat lower growth rate. Everybody still gets, but the little man gets a bit more in percentage terms.

Another point which has been mentioned, perhaps not so frequently - item 11 - is the concept of burden sharing as among importing countries. Here we would suggest that there might be some provision for differential growth rates, differential growth rates for a given product into the various importing countries which are maintaining restrictions on that particular item. It is obvious that applying the same percentage growth rate in the case of a relatively low level of market penetration as in the case of a high level of market penetration, produces vastly different results in absolute terms. We propose that a formula be devised to provide for higher rates of growth when market penetration is relatively high. We would also suggest that in order to balance this picture there should be provision for some form of negative growth when a market is declining.

There are three perhaps more minor suggestions. The first - item 12 - deals with the base period. On the assumption that a new accord would contain some base period provision such as that in Annex B to the Long-Term Arrangement, we would propose a modification. Canada has introduced a system of public inquiry into allegations of injury from textile imports. This necessarily involves a significant delay from announcement of enquiry to initiation of action, if any, by the government. This has led to substantial increases in imports during this period thereby exacerbating the problem. We propose that in cases in which such procedures as ours are in effect that the formula be calculated using the date of the announcement of the enquiry as the date of notification.

The question of circumvention - item 13. Article 6(a) of the Long-Term Arrangement provides for collaboration to prevent circumvention of the arrangement. This, however, is often difficult to control. We propose that specific provision also be made for a system of certification of restrained exports to assist in frustrating circumvention.

Lastly the question of overshipments - item 14 - which unfortunately, from time to time, do occur in the best managed restraint mechanisms. This creates considerable problems for the importing country, that is an importing country which does not exercise dual control. As a preferable alternative we would
propose that there be a provision for automatic compensatory adjustment in such cases — compensatory adjustment in the succeeding period.

Mr. Director General, I fear that as I have rambled on I have lost my numbering system but at the last count I mentioned fourteen elements and I hope that some, very optimistically all, will commend themselves to members of the Working Party. Finally may I suggest, through you Sir, that perhaps the appropriate time has arrived for the delegation of Japan to submit its proposed solution.