

GENERAL AGREEMENT
ON TARIFFS AND
TRADE

ACCORD GENERAL SUR
LES TARIFS DOUANIERS
ET LE COMMERCE

CONFIDENTIAL

TEX.SB/299

19 April 1978

Textiles Surveillance Body

Organe de surveillance des textiles

ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Communication received from Argentina

Note by the Chairman

Attached is a communication received from the Argentinian mission concerning the measures taken by Canada in 1977, with respect to imports of worsted fabrics from Argentina.

ARRANGEMENT CONCERNANT LE COMMERCE INTERNATIONAL DES TEXTILES

Communication de l'Argentine

Note du Président

On trouvera ci-joint une communication de la mission de l'Argentine concernant les mesures que le Canada a prises en 1977 à l'égard des importations de tissus de laine peignée en provenance de l'Argentine.

Permanent Mission of the Republic of Argentina
to International Organizations at Geneva

The Permanent Mission of the Republic of Argentina presents its compliments to the Textiles Surveillance Body and informs the TSB that the Mission has been instructed to lodge a formal and strong complaint concerning the substantial prejudices caused to Argentinian interests by the measures introduced by the Government of Canada in respect of imports of worsted fabrics from Argentina.

The Mission would be grateful if the TSB would intervene in order that a solution be reached to remedy the above-mentioned prejudices which are attributable to the following circumstances:

1. Canada has subjected imports of worsted fabrics from Argentina to previous authorization, whereas imports from an important number of highly industrialized countries are not subject to this requirement.

The Permanent Mission is of the opinion that this requirement constitutes an unjustified discriminatory treatment which is contrary to the objectives and provisions of the MFA in respect of developing countries.

2. In April 1977, Canada suspended the issuance of authorizations for imports from Argentina on the grounds that such imports "have contributed" to create "very serious difficulties" in the Canadian worsted fabrics industry and produced the following data as evidence of the "damage" caused:

- a 13 per cent contraction in the Canadian market for worsted fabrics between 1973 and 1976.
- a 14 per cent increase in imports from all sources from 1975 to 1976.
- a relative change between 1974 and 1976 in the share of domestic worsted fabrics in the Canadian market (from 68.5 per cent to 64.27 per cent) compared with imports (from 31.5 per cent to 35.8 per cent).
- a 6 per cent decrease in employment in the domestic sector of worsted fabrics from 1974 to 1976.
- the disappearance of profit margins for domestic producers as a result of the pressure due to prices of imported fabrics, and the presumption, following the issuance of import permits, that imports from Argentina were due to increase from 2,000 square yards in 1976 to 225,000 square yards in 1977, at prices substantially below Canadian prices.

To the Textiles Surveillance Body
of the Arrangement Regarding
International Trade in Textiles.

The Permanent Mission is of the opinion that it cannot be reasonably argued that imports from Argentina "have contributed materially" to the "poor" situation in which Canadian producers of worsted fabrics find themselves, as the Canadian Textiles and Clothing Commission claims, for the following reasons:

I. The prejudice:

- (a) While it seems unquestionable that the apparent Canadian market for worsted fabrics has contracted by 13 per cent between 1973 and 1976, it is no less certain - according to assertions by the Textiles and Clothing Board - that this market expanded by 15.3 per cent between 1975 and 1976 and that the size reached by the market in 1973 was abnormal and resulted from speculative purchases because of a threatened shortage of wool and anticipated high prices.

As a result, the selection of the year 1973 as the base year to demonstrate the contraction of the market in the subsequent years is not relevant.

- (b) The increase of imports from 1975 to 1976 is in line with the growth of the apparent market referred to in the preceding paragraph. It should be pointed out that, if the year 1973 had also been taken as a basis for comparison in this respect, it would appear that imports declined by about 34 per cent in 1976.
- (c) While the market share of domestic worsted fabrics in 1976 (64.27 per cent) was less than in 1974 (68.5 per cent), it is also certain that this share increased compared with 1975 (63.7 per cent) and vice versa, while the share of import fabrics in 1976 (35.8 per cent) was greater than in 1974 (31.5 per cent), one should not ignore the fact that this share in 1976 was less than in 1975 (36.3 per cent) - (Source: Textiles Division Survey and Statistics - Canada).

In addition the comparison with 1973 (domestic fabrics 53.3 per cent and imported fabrics 64.4 per cent) shows that the relative change was clearly in favour of domestic worsted fabrics in 1976.

- (d) As regards the decline in the level of employment and the disappearance of profit margins, mention should be made of the statements by the Canadian Textile Institute to the effect that domestic producers had already made their maximum efforts for modernization and rationalization although they had not managed to offer the ever increasing standards of quality required by the Canadian market.
- (e) As regards the alleged sudden increase in exports from Argentina which, according to the Canadian Authorization Board, might have reached 225,000 square yards in 1977, it should be pointed out that, if a strict criterion were applied, any imported quantity, however small, would have resulted in an increase which may be doubted because, in practice, until 1977, Argentina had never had a real share in the Canadian market for worsted fabrics, as is shown by the following data, which have been extracted from Argentinian Foreign Trade Year Books.

<u>Year</u>	<u>Quantity</u> (lbs)	<u>Value</u> (US\$)
1966	-	-
1967	-	-
1968	-	-
1969	26	68
1970	-	-
1971	1,592	6,362
1972	-	-
1973	2	18
1974	31	175
1975	-	-
1976	1,429	5,640
1977	35,667*	153,356

*From January to March

II. Responsibility

The finding which results from paragraph (e) above inevitably leads to the following question: is it possible that imports from Argentina effected until 1976 - which in addition to the fact that they were less than one per thousand of total imports of worsted fabrics in recent years also fluctuated wildly - may have contributed to the emergence of a difficult situation in the Canadian market? The answer is obviously and absolutely negative.

If any damage has been caused, Argentina should not be held responsible. Indeed, in August 1976, the Textile and Clothing Board requested that imports of worsted fabrics be restricted from Japan, Korea and the Peoples' Republic of China, on the grounds that they were perturbing the Canadian market.

Another finding is that these 225,000 square yards from Argentina which were supposed to threaten "disruption" of the Canadian market in 1977 would have amounted (if such imports had actually taken place) to 6.6 per cent of total actual Canadian imports of worsted fabrics from all sources during eleven months in 1977 (source: Canadian Foreign Trade Year Book); it is therefore also doubtful that this percentage share could have had the damaging effects which they are claimed to have had, on an a priori basis.

III. The suspension of the issuance of import permits

The Canadian authorities suspended the issuance of import permits for worsted fabrics from Argentina in April 1977, before officially notifying their desire to enter into consultations with our country. This was not in conformity with the provisions of Article III of the Arrangement Concerning International Trade in Textiles which lay down that a country may decline to accept imports only after a period of sixty days from the date on which a request for consultations has been received, if such consultations have given no positive result. It should be pointed out that the suspension referred to above is not covered either by the exception from the rule envisaged in paragraph 6 of Article III, because the measure was adopted before the beginning of the sixty-day period.

Official notification was made at the end of May 1977, as a result of an Argentinian complaint.

IV. The quota offered

In June 1977, consultations were completed within the context of these consultations, Canada proposed to establish a 150,000 square yard quota for imports from Argentina for the period 1 May 1977-30 April 1978, on the grounds that this volume covered the difference between the import authorization already issued during the first four months of 1977 (225,000 square yards) and actual imports effected during the same period (70,000 square yards).

The Argentinian delegation turned down the proposed quota because it felt that this did not tally with existing market conditions, did not take account of contracts already entered into, which covered a much more important volume, and was not consistent with the objectives or the provisions of the Arrangement Concerning International Trade in Textiles which provide for special and more favourable treatment for developing countries in particular in the case of new suppliers like Argentina.

V. Conclusions

The decision reached by Canada causes a material prejudice to the export of textile products of our country and contravenes the letter and spirit of the Arrangement Concerning International Trade in Textiles. The Arrangement both in its preamble and in its operative part includes many references to the special and more favourable treatment which must be afforded to developing countries.

Among these provisions, the following should be mentioned:

- Article 1:3 provides that a principal aim shall be to "secure a substantial increase in export earnings from textile products and to provide scope for a greater share in world trade in these products".

- Article 1:4 referring to actions taken under the MFA has a provision to the effect that such actions should be accompanied by the pursuit of appropriate economic and social policies, in a manner consistent with national laws and systems, required by changes in the pattern of trade in textiles and in the comparative advantage of participating countries, which policies would encourage businesses which are less competitive internationally to move progressively into more viable lines of production or into other sectors of the economy and provide increased access to their markets for textile products from developing countries.
- Article 6:1 provides that in applying import restrictions some precaution should be taken as regards developing countries so as to provide "more favourable terms in regard to such restrictions, including elements such as base level and growth rates, than for other countries".
- Article 6:2 lays down the criterion of past performance shall not be applied in the establishment of quotas for exports by developing countries of products from those textile sectors in respect of which they are new entrants in the markets concerned and that a higher growth rate shall be accorded to such exports.
- Article 6:3 provides that restraints of exports from participating countries whose total volume of textile exports is small in comparison with the total volume of exports of other countries should normally be avoided if the exports from such countries represent a small percentage of the total imports of textiles covered by this Arrangement of the importing country concerned.
- Annex A, paragraph III referring to questions of "market disruption" lays down that account shall be taken of the interests of the exporting country, especially in regard to its stage of development, the importance of the textiles sector to the economy, the employment situation, overall balance of trade in textiles, trade balance with the importing country concerned and overall balance of payments.

The Canadian measures are inconsistent with the above-mentioned provisions and involve clearly discriminatory treatment. Imports of worsted fabrics from Argentina are subject to previous authorization by the Minister for Industry and Trade, whereas imports from many developed countries are not so subject.

The restrictions imposed by Canada also contravene the provisions of Part IV of the General Agreement which were accepted without reservation by Canada on 8 February 1965, and whose principles and objectives provide that "there is need for a rapid and sustained expansion of the export earnings of the less-developed contracting parties" and "for positive efforts designed to ensure that less-developed contracting parties shall secure a share in the growth of international trade commensurate with the needs of their economic development". Thus, the commitments undertaken by the developed contracting parties include in particular the commitment to "refrain from introducing or increasing the incidence of customs duties or non-tariff import barriers on products currently or potentially of particular export interest to less-developed contracting parties".

Canada, in contravention of the provisions of Annex A, paragraph III of the MFA, has disregarded the results of exchanges between the two countries which, traditionally, have yielded a deficit and the unfavourable incidence of its restrictive measures on the efforts undertaken by each country in order to remedy the abnormal situation which is reflected in the following figures:

<u>Trade Balance</u>			
<u>Years</u>	<u>Argentinian exports</u> <u>to Canada</u>	<u>Argentinian imports</u> <u>from Canada</u>	<u>Balance</u>
(in million dollars)			
1972	9.8	61.6	- 51.8
1973	12.5	47.8	- 35.3
1974	15.6	54.5	- 48.9
1975	10.5	84.6	- 74.0
1976	15.5	48.3	- 32.8
1977 (5 months)	8.4	22.3	- 13.9

Source: INDEC.

In view of the foregoing considerations, the Permanent Mission of the Republic of Argentina requests from the Textiles Surveillance Body that the Canadian authorities should review at the earliest possible date their decision arbitrarily to limit imports of worsted fabrics from Argentina and endeavour to determine, in consultation with Argentina, import levels consonant with the real absorption possibilities of the Canadian market and with the sales of our country in the Canadian market.

The Permanent Mission of the Argentinian Republic avails itself of this opportunity to renew to the Textiles Surveillance Body the expression of its highest consideration.

Geneva, 17 March 1978