

completed the review and considered the results of the consultation process, there would be no major change to the basic system of quota allocation. However, every effort would be made to make quantities available to new entrants and to enhance the transparency and openness of the system. Private sector advisory committees have been established for each of the chicken, turkey, egg and cheese import sectors.

#### **Dairy products**

On January 28, 1988, various milk products (ice cream, yoghurt, liquid forms of buttermilk, skim milk and blends thereof) were added to the Import Control List in support of the existing supply management program on industrial milk. As a result, these products cannot be imported without an import permit. Quota levels and quota distribution are under review. As an interim measure, applications for permits are being handled on a case-by-case basis.

#### **Textiles and clothing**

Imports of textiles and clothing into Canada are subject to controls pursuant to the textile and clothing import policy announced in July 1986. According to the policy, Canada was to renegotiate 22 arrangements regulating export of textiles and apparel to Canada which were due to expire at the end of 1986. The policy also called for Canada to effect prompt responses when new unrestrained imports disrupt the Canadian market.

By the end of March 1987, all but 1 of the 22 arrangements had been renewed. In addition to the 21 renegotiated arrangements, Canada had 3 long-term arrangements which had been negotiated earlier and unilateral controls on imports from North Korea. The renegotiation of all arrangements was completed in May with the conclusion of a long-term bilateral arrangement with Turkey.

In late 1987, a restraint was negotiated with the German Democratic Republic on exports of hosiery to Canada. An arrangement was concluded with Pakistan which added certain sportswear items to the existing arrangement. Additional products negotiations were completed with Malaysia on winter outerwear, jackets and rainwear, with Bangladesh on certain sportswear apparel, with the Philippines on sweaters, and with Romania on sportswear, bed sheets and pillowcases. In addition, controls were introduced in January 1988 limiting imports of apparel and of worsted wool fabrics originating in South Africa. These actions brought the number of controlled sources by the end of the fiscal year to 27; an arrangement with Brazil expired at the end of 1987 and renewal negotiations were continuing.

Between 1982 and 1986, imports of apparel into Canada increased at an average annual rate of 11 per cent. The textile and clothing import policy of July 1986 has, as a major objective, a substantial moderation in the average import growth rate. By the end of 1987, imports were only 4 per cent above the level of 1986.

Canada is a signatory of the Arrangement Regarding International Trade in Textiles (MFA), which is a derogation from the GATT providing a framework for negotiation of bilateral arrangements in respect of trade in textile products between exporting and importing countries. Controls put into place by importing countries must be submitted to the Textile Surveillance Body (TSB), an organization made up of MFA participating countries to oversee controls and to ensure that these are in keeping with the broad objectives of textile trade liberalization of the MFA. In 1987/88, Canada prepared its submissions to the TSB relating to the renegotiated arrangements and by the end of the fiscal year, most of these had been reviewed and passed by the TSB.

Achievement of the objectives of the textile and clothing import policy, which is based on bilaterally negotiated controls, requires that the exporting country effectively control shipments in accordance with the agreed-upon provisions. In light of the various systems used by importing countries to classify and control imports, a good understanding of the respective system on the part of exporters is an important factor contributing both to effective controls as well as to facilitating the movement of traded goods. Canada has supported this view by providing information to exporting authorities on its control system. During the year, Canada held administration consultations with China and with Vietnam and presented briefings on administration and product classification to administrators and exporters in Malaysia.

In response to apparel industry concerns about availability of certain fabrics subject to restraints, a joint committee of members of the Apparel and Fur, and Textile and Footwear SAGITs was established to examine these concerns and make appropriate recommendations. The committee is considering whether certain products should be accessible outside of restraints.

The Canada-U.S. Free Trade Agreement incorporates a number of specific elements relating to trade in apparel and textile products that would entail monitoring and control. Officials have begun examining the modalities of these provisions and have held consultations with U.S. counterparts with a view to having a mutually acceptable system in place for the introduction of the Agreement.