

● (1730)

For the past eight years Canada has justified the imposition of footwear import quotas internationally under the safeguard provisions of the General Agreement on Tariffs and Trade. These provisions enable Canada to take quota action or other safeguard measures in situations where imports are causing or threatening serious injury to domestic producers. Under the GATT provisions these measures are intended to be temporary in nature for the extent and time necessary to prevent or remedy injury. Since footwear quotas were first imposed eight years ago our trading partners have alleged that eight years of footwear quotas are not temporary in nature and that such lengthy imposition of quotas is contrary to Canada's obligations under GATT. As well, in the absence of a finding by the Canadian Import tribunal of injury or threat of injury caused by imports in four of five sectors of the footwear industry, we would be hard put to convince our trading partners that any extension of quotas in these categories would be justified under the provisions of GATT.

The Opposition appears to ignore the fact that exporting countries also have rights under GATT. It enables our trading partners with substantial interests as exporters, affected by safeguard action, to either claim compensation for impairment of access or, in the event a satisfactory agreement and compensation cannot be concluded, to take retaliatory action. In requesting compensation from Canada, therefore, the European Economic Community has been operating within its rights under GATT. The EEC has not been alone, however, in condemning the length of time that import quotas have been placed on footwear and the negative impact of quotas on their exports to Canada. Import quotas on footwear have been a serious irritant with many of our friends in the less industrialized world who have found it difficult to expand their sales to Canada. The issue of footwear import quotas has come up frequently in our discussions with other countries. Countries such as South Korea, Brazil, India and many others have identified footwear import quotas as an irritant in our bilateral trade relations with these countries. Although the Liberals and NDP profess to be concerned about the plight of Third World countries, I note that today they are attempting to ignore the impact quotas have on the development prospects in lesser developed countries. I will stress, however, that Canada will vigorously defend internationally its right to extend import quotas on those classes of footwear on which the tribunal found injury or threat of injury in the absence of special measures of protection. We will point out to them that the tribunal has just completed its most comprehensive inquiry to date into the footwear industry. We will also note that the tribunal received extensive submissions and held public hearings so that all parties could make their points of view known. As a result of this comprehensive review, first initiated in June of 1984, the tribunal concluded that women's and girls' footwear production remains vulnerable to injury from imports. We will note that the tribunal recommended that import quotas be maintained only with respect to this one sector of the industry.

Supply

In talking with our trading partners we have the tribunal's very detailed rationale for extending footwear quotas on Women's and girls' footwear. The tribunal believes that producers of women's footwear remain vulnerable and that many of these producers could not compete successfully in the absence of special measures of protection. In the case of women's footwear the substitutability factor is of great significance. While women's leather fashion and comfort footwear produced in Canada are, in the view of the tribunal, able to compete with imports of leather product, principally coming from Europe, the fact that non-leather product is, in the view of the final purchaser, largely substitutable for leather creates a degree of competition from non-leather imports which the domestic producer of leather product may not be altogether able to meet. There is, moreover, significant production of women's non-leather as well as leather in Canada. Because of this substitutability, the impact of the removal of quotas on the women's footwear sector as a whole would be unfavourable. However, it is not clear that it would be universally adverse. The analysis regarding optimum size and regarding profitability by size and location bear upon this point. Some parts of the sector would be vulnerable. Some may experience difficulties. The rest are capable of competing successfully.

I say once again that we will vigorously defend our right to extend quotas on women's and girls' footwear, pointing to the tribunal's inquiry. Nevertheless, as I indicated earlier, our trading partners have rights under GATT. We anticipate difficult negotiations ahead once again with the European Economic Community. However, we are confident that, backed with the findings of the tribunal, the steps Canada has taken to lift the quotas on four out of five sectors on November 30, 1985, along with the phase-out provisions for the quotas on women's and girls' footwear, that a satisfactory solution can be reached with the EEC.

Quotas are only one of several factors which affect the competitiveness of the domestic footwear industry. Other factors include the level of import tariffs, foreign exchange rates, and the impact of disruptive imports caused by dumping or subsidization practices. Let's look at the tariff protection the entire footwear industry will continue to receive. The bulk of footwear enters into Canada at a rate of duty of slightly over 23 per cent. There are no general preferential tariffs applied on the bulk of footwear imports into Canada. The average tariff applied by Canada on imports of manufactured goods is 9 per cent. Internationally, the EEC applies an average tariff of 8 per cent on footwear imports, whereas in the United States it is 10 per cent. Therefore, the Canadian industry receives a lot of protection under the Canadian tariff, both in relative and absolute terms. The tribunal also notes that the competitiveness of Canadian footwear with imports is affected both by the level of exchange rate and the level of inflation in Canada compared with that in the major footwear exporting countries. Since 1980 the tribunal notes that Canadian footwear has declined in competitiveness with imports from some countries, while at the same time increasing its competitiveness against imports from other countries. In particular it notes