In its 1981 Textile and Clothing Policy which was essentially a continuation of the adjustment emphasis of the 1970 Policy, the government sought to reduce reliance on special measures of protection through continued rationalization and restructuring of the industry. Since 1981, under the Sector Firms Program administered by CIRB, a total of $71.9 (May 31, 1985) million in financial commitments has been made to clothing firms to improve their competitiveness of which $19.1 million have been disbursed to date. In addition, some $39.6 million in assistance to textile, clothing and footwear workers have been made under the CEIC adjustment measures for workers from both regular CEIC programs (placement, institutional and industrial training, mobility assistance, work-sharing, etc.) and special CEIC programs (enhanced training, allowances, enhanced mobility assistance, wage subsidies and special job creation in specific communities). Another $51.4 million of assistance has been made under Labour Canada's Labour Adjustment Benefit Program covering pre-retirement benefits for textile and clothing workers.

EVOLVING ENVIRONMENT

For the next few years, modest annual average growth of the apparent Canadian market of some 1 percent is projected. Although the rate of import growth appears to be slowing from the extremes of the last couple of years, continuation of present trends in conjunction with anticipated gains in productivity are projected to cut employment in the clothing industry almost in half over the next ten years.

With the lapsing of Canada's bilateral arrangements at the end of 1986, there is a need to re-examine the future role of border measures. This is being done in the context of the impending renegotiation of the MFA and a key issue is whether Canada should continue to adhere to any revised MFA. In particular, a revised MFA should take into account Canada's position in world trade as an importer with a small domestic market and include various instruments to reduce short-term fluctuations in imports.

COMPETITIVENESS ASSESSMENT

The labour intensity of clothing production, coupled with much higher labour costs in Canada and other developed countries relative to low-cost countries (the major competitors), lead to the inability of all developed countries to compete in their domestic markets with low-cost imports (except in high fashion apparel) thus necessitating quantitative restraints on these imports which are negotiated bilaterally under the Multifibre Arrangement (MFA).

The Canadian industry is competitive in the domestic market with imports from developed countries (which in 1984 represented some 31% of the value of all imports) with current tariff and exchange rates. Industry's sensitivity to these rates is moderate. Certain products (fur and outerwear) are also competitive in the U.S. market (and to a lesser extent in Europe).

Although Canada's bilateral restraint agreements generally allow for annual growth of imports by some 6% in conformity with the MFA, this has largely not materialized in a systematic manner over the past decade. Rather, there have been large fluctuations in low-cost imports created by under filling the quota in a given year, followed by precipitous increase the following year (which is exacerbated by the flexibility provisions of the MFA). These large fluctuations cause serious problems for the Canadian industry and lead to strong pressure on Government to take drastic action, such as the imposition of a global quota under GATT Article XIX.

EXEMPT 15(1)

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