

TEXTILE SECTOR: QUESTION #3

Will not the removal of tariffs lead to a rapid increase in Mexican exports to Canada?

Background:

It is unlikely that Canada would be swamped by goods due to a gradual elimination of Mexican tariffs. With the low levels of tariffs already applied a further general reduction should not result in any other major changes. The low wages of Mexico present in Mexico will result in the transfer of low skilled jobs from Canada to Mexico, however, the niche markets will develop for high skilled, high capital factors of input. There will be displacement of low cost producers as Mexican production expands, but the concentration will most likely occur with low quality goods rather than those at the high end.

The surges in exports to Canada of low quality goods be monitored to prevent dumping as a method to gain market share. The use of transitional safeguards will assist in industry transformation from low to higher quality products in the short term.

RESPONSE:

- LIBERALIZATION IN THIS SECTOR IS ALREADY A FACT OF LIFE THAT CANNOT BE ESCAPED. IN A NAFTA CONTEXT, CANADA WILL SEEK TO NEGOTIATE SAFEGUARDS APPROPRIATE TO THE NEEDS FOR ADJUSTMENT THAT WILL ALLOW THE CANADIAN INDUSTRY TO REMAIN COMPETITIVE DURING TARIFF AND NON-TARIFF BARRIER PHASE OUT PERIODS AS A METHOD TO CONTROL MARKET SHARE.
- IT IS EXPECTED THAT THE LIBERALIZATION OF TRADE AND THE ELIMINATION OF THE MULTI-FIBRE ARRANGEMENTS AND THE RULES OF ORIGIN UNDER FTA WILL INCREASE MEXICAN EXPORTS TO CANADA. THE FUTURE OF THE CANADIAN TEXTILE INDUSTRY WILL BE LOCATED IN THE HIGH SKILLED, CAPITAL INTENSIVE INDUSTRIES SUPPLYING NICHE MARKETS.