Factors in Recent Import Growth

The recent low-cost import growth has occurred in spite of the extensive network of bilateral restraints. It has come from several directions:

- from the three dominant suppliers - Hong Kong, Korea and Taiwan - who account for 51% of total imports;
- from China, which has moved to a close fourth position with 12% of total imports;
- from other established exporters such as India and the ASEAN countries; and
- from newer entrants such as Indonesia, Bangladesh and Brazil.

The reasons that such high import growth has been possible under the existing regime lie in the nature of the bilateral arrangements negotiated in 1981.

Import quotas under these arrangements were underutilized in the 1982 recession but were rapidly filled in 1983 -- the so-called "overhang" problem. This was compounded by the intrinsic growth rates and by flexibility provisions which allow quotas to be borrowed from one year to another.

A range of new supplying countries has also emerged since 1981. As new restraints were negotiated with these countries, new imports were added to those from established sources.

Finally, there has been import growth in clothing items not covered by the MFA, particularly those made from a vegetable fibre known as ramie. While non-MFA clothing (including handicraft) accounted for only 4% of total 1985 imports, there has been a fivefold increase since 1981.

We Are At A Policy Crossroads

Both the MFA and Canada's existing bilateral agreements are up for renewal this year, presenting an ideal opportunity to address the problems of the 1981 regime.