

The trend in international trade in apparel products has been for low-cost countries to increase their share of world exports (from 10 percent in 1955 to 48 percent in 1982). Low-cost and state-trading countries have put considerable emphasis on developing clothing industries primarily geared to exporting. With comparative labour cost advantages, (e.g. for clothing \$1.80 hourly wage in Hong Kong versus \$7.28 in Canada), these countries have put increasing competitive pressure on the domestic industries of developed countries. Newly industrialized countries (NICs) such as Hong Kong have also upgraded their products and are now competing with medium to higher priced merchandise produced by developed countries.

While exports account for some 6 percent of overall Canadian shipments, export opportunities are concentrated in fur apparel and outerwear which account for 49 percent and 21 percent, respectively, of total industry exports. In the case of furs, exports account for 42 percent of this industry sub-sector's production and in the outerwear sub-sector about 20 percent. The United States is Canada's primary export market accounting for more than 82 percent of all clothing exports. The ornamentation clause of the U.S. tariff which applies higher duties (as much as 42.5 percent) to apparel with non-functional characteristics such as epaulets is a major barrier to increased non-fur apparel exports. More stringent application of country of origin regulations on textiles and clothing entering the United States is a recent measure which could have an impact on Canadian apparel manufacturers who export to the U.S.A. utilizing imported yarns and fabrics. Other international activities such as the anti-trapping and anti-fur campaign in the EEC have contributed to a substantial decline in Canada's fur apparel exports to that market. However, increasing advantages in terms of cost, improved quality and styling of products as well as a more favourable exchange rate have generally benefited Canadian exporters as evidenced by a rise in fur apparel exports to the U.S. from \$34 million to \$107 million over the period 1981-84.

The potential for trade liberalization initiatives with the United States has recently been examined in the context of a sectoral approach to free trade in textiles and clothing. The main findings of a Textile and Clothing Board study were that: structural characteristics of industries in both countries are similar, Canadian textile and clothing industries are generally at a competitive disadvantage to their U.S. counterparts, elimination of customs duties on fabrics and other supplies would not have a dramatic impact on the competitiveness of Canadian clothing producers and there is a greater need in Canada than in the U.S. for a period of adjustment to a free trade environment.

Canada's competitive prospects at the individual clothing product level were highlighted to some degree in the report. It was indicated that Canadian producers are at a marked disadvantage in the manufacture of standardized products such as jeans, sport shirts, t-shirts and pyjamas but in contrast have a slight advantage in products with more of a fashion content such as ladies' sweaters, blouses and dresses, sportswear and men's suits.

EXEMPT 15(1)

The clothing sub-sectors where Canada is indicated by the Board as having a slight advantage account for the bulk of overall industry shipments and since these are fashion products, there are indications that they have good prospects for medium term market growth. As many of these products would be regarded as ornamented under the U.S. apparel tariff and, consequently attract much higher duties, it is likely that Canada's competitive advantage could be even more preponderant. This view is also reinforced by the duty free entry of raw materials under such a scheme bearing in mind that Canadian manufacturers of fashion apparel rely to a considerable extent on imported yarns and fabrics.

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