

2. STRENGTHS AND WEAKNESSES

a) Structural

- As the industry has adopted state-of-the-art technology available world wide, it has become increasingly capital-intensive and with the corresponding requirements for larger economies of scale, consolidation and restructuring have occurred in some sub-sectors, particularly traditional spinning and weaving. However, despite the capital intensity of the industry, there remain some sub-sectors (e.g. hosiery, draperies and curtains) where technological advances have not progressed at the same pace. Wages as a share of shipments for the industry are about 15 percent (13% for all manufacturing) with a wide variation ranging from 10% for carpets to 24% for the dyeing and finishing sub-sector.
- Fashion changes in clothing have resulted in shifts between fabrics (e.g. woven vs knitted fabrics as well as from one fibre to another). Continuing developments in the field of nonwoven fabrics have created new end-uses for textiles such as geotextiles or new marketing concepts such as disposable garments.
- Manufacturers of apparel textiles are also seeking to diversify into homefurnishing and industrial products which are less exposed to import competition.

b) International Trade Related Factors

- Canada, like most developed countries, maintains relatively high tariffs on textiles. Average Canadian textile tariffs in 1987 (post MTM) will be 18% compared to 9% for all manufacturing. Canada has excluded textiles and clothing from the General System of Preference (GSP). Most developed countries did the same.
- Because of the capital intensity of the textile industry, imports of most textiles currently originate from developed countries (particularly the U.S.A.) and much tend to complement domestic production. The share of textile imports covered by bilateral restraint arrangements has fallen to 6%. Nevertheless, there are a few sub-sectors which still face substantial import competition from low-cost sources primarily because of their higher labour cost content as compared to other sectors (worsted fabrics, certain acrylic yarns).
- The overall import share of the Canadian textile market has remained in the 25-28% range over the period 1971-84. Export share of shipments has increased somewhat since 1972 to 7-8%. It is expected that a level of 10% could be reached within the next three to five years with the current currency advantage over the U.S. Textile exports to that market in 1984 accounted for 34% of the total, up from 32% in 1981. However, Canada has lost substantial textile export sales (carpets to Australia) as a result of a loss in tariff preference and a change in the Australian tariff structure. As well, the new U.S. country-of-origin regulations effective at the end of October 1984 and aimed at blocking quota circumvention by countries under restraint may also reduce potential export sales.