

exports to countries on the Area Control List. The *Export and Import Permits Act* defines offences, such as exporting or importing without the required permit, and diverting or transshipping goods, in addition to providing penalties for such offences. An annual report to Parliament of the activities under the Act is available from the Special Trade Relations Bureau.

Import controls

Textiles and clothing

Canada, like most industrialized countries, has maintained special measures of protection for the textile and clothing sector for a number of years. These measures are embodied in bilateral restraint arrangements which are generally negotiated under the international legal framework of the Multi-Fibre Arrangement (MFA) of the GATT. By March 31, 1986, Canada had arrangements in place covering imports from 22 countries. All of these arrangements are in force until December 31, 1986.

In 1985-86, because of the disruption caused in the Canadian market by new sources of unrestrained imports, consultations were held with seven countries. A new arrangement was concluded with Bangladesh covering two product categories, and restraint coverage was expanded by the addition of 15 product categories to other existing arrangements.

On the basis of these bilateral arrangements, some 90 per cent of MFA-type clothing imports from low-cost sources are currently subject to restraint. The three dominant suppliers have been Hong Kong, Korea and Taiwan, which together account for more than 50 per cent of the total 1985 clothing import volume. China provided an additional 12 per cent of 1985 clothing imports, while other suppliers accounted for substantially smaller shares. The overall import growth rate for clothing moderated in 1985 to just under four per cent. However, this followed substantial increases of 25 per cent and 17 per cent in 1983 and 1984 respectively.

With the MFA set to expire on July 31, 1986, multilateral discussions on the future of this arrangement commenced in Geneva in July 1985. In preparation for negotiations on renewal of both the MFA and Canada's bilateral restraint arrangements, the Textile and Clothing Board, which is an independent advisory agency to the government, was directed to undertake a comprehensive inquiry into conditions affecting the textile and clothing industries. The Board presented an interim report in June 1985, and a final report in October, 1985. The findings and recommendations of the Board were intended to assist the government in its broad review of Canada's textile and clothing policy.

Beef and veal

Beef and veal were placed on the Import Control List on December 21, 1984 for the calendar year 1985, under the authority of the *Meat Import Act*. This action was taken because of a surge in beef imports during 1984, in particular subsidized meat from the EEC, and because high and damaging levels of such imports were anticipated during 1985.

A global quota of 66 500 metric tonnes was established and allocated to supplying countries on the basis of their share of the Canadian market during the 1979-83 period. In April 1985, amendments were made to exclude high-quality beef from import controls and to accommodate accords reached with the EEC and Nicaragua.

Given the uncertainty of the international beef markets, the government, on December 19, 1985, imposed and then immediately suspended a restriction on the quantity of fresh, chilled or frozen beef and veal that may be imported into Canada during 1986. This measure under the provisions of the *Meat Import Act* will permit the regulation of imports into Canada during 1986, should such action be necessary.

Footwear

In June 1984, the government mandated the Canadian Import Tribunal to conduct a wide-ranging investigation into the Canadian footwear industry.

The Tribunal took a full year to complete its inquiry. Its report concluded that significant adjustment had taken place and that with the limited exception of the women's and girls' sector, the industry could stand up to foreign competition.

On November 20, 1985, the Honourable James Kelleher, Minister for International Trade, announced the government's decision to remove import controls on all categories of footwear except the women's and girls' sector effective December 1, 1985. In this latter sector the government decided to phase out quotas over a three-year period through annual increases in quota levels of six, eight and 10 per cent.

In a separate development arising from the government's decision to extend controls of footwear from December 1, 1984 to November 30, 1985, Canada was able, in April, 1985 to negotiate a compensation arrangement with the EEC providing for the reduction in import tariffs on a number of products of interest to the Community. This action forestalled EEC threats to retaliate against \$150 million in Canadian exports to the Community.

Export controls

The large majority of goods on the Export Control List are military, strategic, or atomic energy goods and equipment whose export is controlled for reasons of national security. Military goods are found in Group 7 of the List; strategic goods are civilian industrial goods, equipment and technology which can be used to increase the military capacity of nations potentially hostile to Canada and its allies. The List also includes atomic energy goods, goods controlled for Canadian domestic purposes (e.g. pancreatic glands of cattle, logs, pulpwood, Canadian bronze one-cent coins, etc.), technology relating to controlled items, and all goods of US origin.

A list of military, strategic and atomic energy goods is negotiated and agreed to at meetings of the Co-ordinating Committee for Multilateral Strategic Export Controls (CoCom) in Paris. The purpose of this list is to define goods and technologies which are embargoed for export to certain "proscribed destinations," which include principally the Soviet Union, its Warsaw Pact Allies, and China. The lists are then incorporated into or reflected in the national export regulations of CoCom's 15 members (NATO countries except Iceland, plus Japan). Export controls seek to prevent the unauthorized shipment of controlled goods, or their diversion to the proscribed destinations.

After discussions at recent high-level meetings of CoCom, Canadian ministers, including the Right Honourable Joe Clark, Secretary of State for External Affairs, agreed to the necessity of increasing the enforcement of export controls for national security reasons. As a result, on October 15, 1985,