TROUSERS, SLACKS, SHORTS, JEANS, OVERALLS AND COVERALLS

A Report to the Minister of Regional Industrial Expansion

Government of Canada
Gouvernement du Canada

Textile and Clothing Board
Commission du textile et du vêtement

Canada

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Ottawa, Canada
K1A 0H5

January 14, 1985

The Honourable Sinclair Stevens, P.C., M.P.
Minister of Regional Industrial Expansion
Ottawa, Ontario
K1A 0H5

Mr. Minister:

The Textile and Clothing Board has concluded its inquiry, carried out in accordance with Section 9 of the Textile and Clothing Board Act, regarding imports of trousers, slacks, shorts, jeans, overalls and coveralls, and their effects on Canadian production.

We now have the honour and pleasure of submitting our report on this inquiry. It contains an overview of the industry sector in question, as well as our conclusions and recommendations regarding imports of these products.

The Board will be pleased to supply you at your convenience with any additional information or explanations you may wish on this matter.

Yours sincerely,

Jacques St-Laurent
Member

Otto E. Thur
Président

Canada

TEXTILE AND CLOTHING BOARD

REPORT ON AN INQUIRY
RESPECTING
TROUSERS, SLACKS, SHORTS, JEANS, OVERALLS AND COVERALLS

OTTAWA, CANADDA

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1. MANDATE AND PROCEDURE

On April 5, 1984, the Textile and Clothing Board received a notice of complaint from the Canadian Apparel Manufacturers Institute, pursuant to section 8 of the Textile and Clothing Board Act, alleging that the trouser industry was under severe pressure from low-cost import competition, particularly in those items identified by the Board as import category 37.2. This category includes jeans and all other trousers with the exception of trousers containing at least 5 per cent wool, shorts, overalls and coveralls.(1) The Canadian Apparel Manufacturers Institute (CAMI) requested the Textile and Clothing Board to initiate an inquiry to determine if imports of trousers, slacks, shorts, jeans, overalls and coveralls, in all sizes, in all genders, and of all fibres are entering Canada under such conditions, in such quantities and at such prices as to cause or threaten serious injury to Canadian production which would require an intensification of the special measures of protection already in place.

The Board agreed to act upon this request and, on April 27, 1984, announced that it was undertaking an inquiry regarding the effects on Canadian production of imports of trousers, slacks, shorts, jeans, overalls and coveralls (Textile and Clothing Board import category 37). A copy of the notice announcing the inquiry is contained in Appendix 1.

In the official notice of inquiry published in the Canada Gazette of April 28, 1984, the Board invited all interested parties to submit briefs relating to the inquiry no later than May 31, 1984. In particular, Canadian producers of the goods in question were requested to

(1) Trousers containing at least 5 per cent wool (37.1); trousers and slacks, other (37.2); shorts (37.3); overalls and coveralls (37.4); and all of the foregoing for children (37.5).

file with the Board plans describing the adjustments to be made to their operations in order to increase their ability to meet international competition in Canada. The Board also announced that it would hold hearings to receive supplementary explanations or comments from those presenting briefs or associating themselves with the presentation of a brief. Copies of the notice were distributed to the news media, to interested firms, individuals and groups, including major trade and other organizations.

In order to obtain current data on the situation prevailing in the industry, the Board distributed questionnaires to manufacturers. Questionnaires to importers/wholesalers and retailers were distributed through the offices of their respective trade associations.

A total of 22 briefs relating to the inquiry were received. The briefs were presented by organizations representing trouser and slack manufacturers and their fabric suppliers, individual producers, and industry associations in some countries exporting to Canada. Retailers and importers/wholesalers neither submitted briefs nor appeared at the hearings.

Two of the parties presenting or supporting the presentation of briefs requested public hearings, eighteen requested to be heard privately, although three of the latter group did not appear, and two did not ask to be heard. None of the multinational producers of jeans appeared before the Board. The Board's hearings took place in Hull, Winnipeg, Vancouver and Montreal during the month of June 1984. Appendix 2 lists those who submitted or were associated with a brief and those who appeared before the Board at these hearings.

In addition to the information received in the briefs and during the hearings the staff of the Board carried out research on some aspects of the trouser industry. The Office of Industrial Adjustment of the Department of Regional Industrial Expansion and the Canadian Industrial Renewal Board provided the Board with information on the trouser industry, and additional research was carried out with the collaboration of the Special Trade Relations Bureau of the Department of External Affairs and the Manufacturing and Primary Industries Division of Statistics Canada.

While the products which were to be the subject of the inquiry included trousers, slacks, shorts, jeans, overalls and coveralls, in all sizes, in both genders, and of all fibres, it became evident during the inquiry that only trousers and slacks containing less than 5 per cent wool, as described in import category 37.2, and more specifically jeans, were of prime concern to the manufacturers who initiated the complaint. As a result, the Board decided that in its report it would concern itself primarily with the situation in the jean market in Canada. In this respect the statistics used in the report refer specifically to jeans to the extent possible; however, there are relevant data which are only available at a higher level of aggregation, and include trousers other than jeans.

2. THE PRODUCT UNDER INQUIRY

Jeans are worn as work-wear, casual-wear and dress-wear. They are usually made of cotton or polyester/cotton fabric in denim, corduroy or plain construction; the fabric can be stretch or non-stretch, bleached, dyed or printed. The garment can be a very basic, low-priced utility product, or a very high-priced, high quality designer product; it may have belt loops; the number of pockets may range from as few as two to as many as eight; findings such as zippers, buttons or snaps may or may not be functional; the legs may or may not have cuffs and the front of the garment may be pleated.

Originally, jeans were primarily work garments. The fabric and the methods used to construct the garment provided the user with a strong, durable garment capable of withstanding many hours in the work-place and repeated launderings.

Although the wearing of jeans has never been restricted to the work-place, the 1970s saw the garment come of age in terms of its acceptability as a general purpose garment. While the functional and utility garment continued to be made, the emphasis switched to fashion, style and fit. The market grew rapidly as jeans made inroads into the casual-wear and dress-wear trouser and slack markets, particularly those jeans bearing the names of internationally renowned fashion designers. Jeans became an essential part of women's and men's wardrobes.

Denim continues to be the predominant fabric used in the manufacture of jeans. In 1980, 64 per cent of the fabric used in the manufacture of jeans in Canada was estimated to be denim. Corduroy accounted for 30 per cent of fabric utilization, with other fabrics representing 6 per cent.

The evolution of fashion in the jean industry has not only continued but has intensified. Styling innovations are unlimited and jeans are now appearing with cuffs, ankle snaps and waist-to-bottom pleats, while fabrics have crinkled, wrinkled or crushed looks. So-called "third fabrics", that is, other than denim and corduroy, are becoming increasingly popular. These include canvases, plain cotton, nylon and other synthetic fabrics. In 1983, 13 per cent of the fabric used in the manufacture of jeans in Canada fell into this category, compared to 6 per cent in 1980. While denim usage has not changed significantly during the period, corduroy usage has decreased by about a third. (Table 1).

Table 1

FABRICS USED IN THE MANUFACTURE OF JEANS SOLD IN CANADA (per cent)

	1980	1981	1982	1983
Denim	64	69	70	67
Corduroy	30	26	20	20
"Third Fabrics"	6	5	10	13

SOURCE : Dominion Textile Inc.

One of the most significant developments affecting the jean market in the 1970s and early 1980s was the introduction of rugby, jogging and sweat pants manufactured generally from other than denim fabric but using jean construction methods. These items were most popular in the casual-wear field and for the most part competed directly with the more conventional denim and corduroy jeans. However, the rugby pant may have been a fad item since it has now diminished in popularity.

As fashion evolves in the jean industry, as new fabrics and new styles are introduced, the line between jeans and other types of trousers and slacks has become blurred. So much so that even within the manufacturing as well as the importing community, there are inconsistencies as to how to describe jean-constructed trousers, with the result, among other things, that published statistics for this type of garment tend to be understated. However, it was the general view that jeans require fewer operations and have a construction which differs from that used in trousers and slacks. The major differences in construction are found in seams, waistbands and pockets:

- Open single seams are used in the production of trousers, and the edges of the fabric are generally serged and pressed open (busted) manually. In the production of jeans the outside and inside leg seams, as well as the seat seam, are machine-closed double seams.

- The waistband on trousers is made in two pieces to allow for adjustment, whereas a jean waistband is continuous.

- The back pockets of trousers are on the inside and are generally made of fabric other than the shell material. Those of a jean are stitched on the outside and are generally of the shell material.

3. THE MARKET FOR THE PRODUCTS

Jeans are classified by the Textile and Clothing Board in import category 37.2 (trousers and slacks, all other). Excluded from this category are trousers and slacks containing at least 5 per cent wool, shorts, overalls and coveralls. Consequently, while information developed on the jean market is presented in this report there is a probability that the data are understated. An examination of the "Trousers and Slacks, All Other" market therefore provides a useful insight into the situation in the market at large.

The apparent Canadian market for the items included in import category 37.2 in 1980 was 22 per cent above the 1975 level as indicated in Table 2. During this period the average annual growth rate was 4.9 per cent. Net domestic shipments in the same period increased by 61 per cent and their share of the apparent Canadian market rose from 60 to 78 per cent. At the same time imports decreased by 35 per cent and their market share fell from 40 to 22 per cent.

Canadian manufacturers bore the brunt of the recession which began in 1981 and continued through 1982. Compared to 1980, the apparent Canadian market declined by 13 per cent in 1982, net domestic shipments fell by 21 per cent, and imports increased by 13 per cent. Despite the recovery in 1983 and a 14 per cent increase in the apparent Canadian market for items in import category 37.2, net domestic shipments went up by only 2.4 per cent while imports grew by 45 per cent.

However, over the entire period from 1975 to 1983 the apparent Canadian market increased by 22 per cent, imports by only 8 per cent, and net domestic shipments by 31 per cent.

Table 2

APPARENT CANADIAN MARKET
IMPORT CATEGORY 37.2

('000 garments)

	1975	1979	1980	1981	1982	1983
Domestic Shipments	32,155	46,010	52,437	45,172	41,771	42,777(e)
Less Exports	560	558	1,629	741	1,430	1,480
Net Domestic Shipments	31,595	45,452	50,808	44,431	40,341	41,297
Imports	21,246	15,461	13,917	15,697	15,788	22,928
Apparent Canadian Market	52,841	60,913	64,725	60,128	56,129	64,225
			(per cent)			
Share Of Market Held By:						
Net Domestic Shipments	60	75	78	74	72	64
Imports	40	25	22	26	28	36

(e) Estimate.

SOURCE : Textile and Clothing Board.

Jeans constitute an important part of the market for items included in import category 37.2. On the basis of data developed by Statistics Canada and set out in Table 3, the share of jeans in this market increased from 1979 to 1981, when it peaked at 60.1 per cent. In 1982 and 1983 the share decreased to 51.2 per cent and 52.3 per cent respectively.

Table 3

APPARENT CANADIAN MARKET FOR JEANS AS A PER CENT OF THE APPARENT CANADIAN MARKET FOR IMPORT CATEGORY 37.2

('000 garments)

	1979	1980	1981	1982	1983(e)
Import Category 37.2	60,913	64,725	60,128	56,129	64,225
Jeans	34,245	37,245	36,116	28,746	33,586
			(per cent)		
Jeans As A Per Cent Of Import Category 37.2	56.2	57.5	60.1	51.2	52.3

(e) Estimate.

SOURCE : Textile and Clothing Board.

As indicated in Table 4, the jean industry was hard hit by the general recession during 1982, when the apparent Canadian market for jeans dropped by 20 per cent. Canadian manufacturers suffered the brunt of this decline, with their net domestic shipments falling by 22 per cent to 21,502,000 units, while imports experienced a lesser decline of 14 per cent, to 7,244,000 units.

With the recovery in 1983, the industry experienced a slight turnaround. Net domestic shipments went up by 10 per cent over 1982 but were still 15 per cent lower than in 1981.

Imports increased at a much higher rate, with growth of 37 per cent in 1983 over 1982. Compared to 1981, the 1983 volume of imports represented an increase of 18 per cent. Over the last four years the share of the jean market held by Canadian manufacturers decreased from 81 per cent to 70 per cent.

The apparent Canadian market for jeans, although subject to short-term fluctuations, has been relatively stable during the period from 1979 to 1983. The market has averaged 34 million pairs annually, with variations reflecting general economic conditions.

Table 4

APPARENT CANADIAN MARKET
JEANS

('000 garments)

	1979	1980	1981	1982	1983
Domestic Shipments	28,040(e)	31,144	28,133	22,236	24,429(e)
Less Exports (e)	310	938	446	734	776
Net Domestic Shipments	27,730	30,206	27,687	21,502	23,653
Imports	6,515	7,039	8,429	7,244	9,933
Apparent Canadian Market	34,245	37,245	36,116	28,746	33,586
			(per cent)		
Share Of Market Held By:					
Net Domestic Shipments	81	81	77	75	70
Imports	19	19	23	25	30

(e) Estimate.

SOURCE : Textile and Clothing Board.

4. THE PRODUCERS

Although the Board mailed questionnaires to all known manufacturers of trousers and slacks in Canada, the response was poor : less than 15 per cent of those surveyed responded. Those who did respond accounted for 28 per cent of domestic shipments of jeans in 1983 and 17 per cent of shipments of trousers and slacks as defined in import category 37.2. Consequently, the Board has had to rely for the most part on other sources for such data as employment and number of establishments.

In 1982, the latest year for which Statistics Canada data are available, the trouser manufacturing sector (those establishments which manufacture trousers, slacks, shorts, overalls and coveralls) comprised 144 establishments and employed 13,165 production workers (Table 5). While the industry was highly concentrated in the provinces of Quebec (62 per cent) and Ontario (21 per cent), there were also a number of large establishments located in Western Canada.

Table 5

**SELECTED DATA
FOR
THE TROUSER MANUFACTURING SECTOR
1982**

	Jean Manufacturing Sub-Sector	Trouser Manufacturing Sector	Jean Sub-Sector As A Percentage Of The Trouser Sector
Number Of Establishments	40	144	27.8
Number Of Production Employees	4,444	13,165	33.8
Apparent Canadian Market ('000 units)	28,746	76,594 (1)	37.5
Net Domestic Shipments ('000 units)	21,502	51,652	41.6
Share Of Market Held By Net Domestic Shipments (per cent)	75	67	

(1) See Appendix 3 of the "Apparent Canadian Market for Trousers and Slacks, Shorts, Overalls and Coveralls."
SOURCES : Statistics Canada and Textile and Clothing Board.

The number of establishments whose principal product was jeans represented 27.8 per cent of total establishments in the trouser sector, 33.8 per cent of production employment, and 41.6 per cent of domestic shipments. Jean manufacturing establishments tend to be larger and better equipped than other trouser plants in Canada. About 50 per cent of jean manufacturing employment was located in the province of Quebec.

While complete information is not available on capital and repair expenditures on buildings, machinery and equipment in the jean sub-sector, such data have been collected for the entire trouser sector for the period 1978 to 1981 by the Office of Industrial Adjustment of the Department of Regional Industrial Expansion. This office reports that capital and repair expenditures in current dollars in the trouser sector increased at an average annual rate of 17.6 per cent from 1978 to 1981. Building expenditures increased at a faster annual rate (31 per cent) than expenditures on machinery and equipment (10.9 per cent). Over the four-year period, expenditures in the trouser sector averaged 25 per cent of expenditures in the clothing industry as a whole (Table 6).

Table 6

CAPITAL AND REPAIR EXPENDITURES IN THE TROUSER MANUFACTURING SECTOR AND THE CLOTHING MANUFACTURING INDUSTRY

(million dollars)

	1978		1979		1980		1981	
	Trousers	Clothing	Trousers	Clothing	Trousers	Clothing	Trousers	Clothing
Building	2.8	10.5	2.1	8.5	2.6	10.4	6.3	25.3
Machinery and Equipment	6.6	23.1	6.9	28.5	7.6	30.4	9.0	35.8
TOTAL	9.4	33.6	9.0	37.0	10.2	40.8	15.3	61.1
				(per cent)				
Trousers As Per Cent Of Clothing	28.0		24.3		25.0		25.0	

SOURCES : For Clothing - Statistics Canada Catalogues 61-205 and 61-206, and for Trousers - Textiles, Clothing and Footwear Directorate, Department of Regional Industrial Expansion.

A measure of the impact of expenditures on machinery and equipment in the trouser sector is given in Table 7 which contains the results of the Textile and Clothing Board's survey on the age of machinery installed in the garment industry. In 1982, 50 per cent of all machinery in place in the trouser sector was less than 5 years old, 80 per cent was less than 10 years old, and only 20 per cent was 10 or more years old. The trouser sector ranked second in terms of machinery less than 5 years old.

Table 7

AGE OF ALL MACHINES SURVEYED IN THE VARIOUS SECTORS OF THE CLOTHING INDUSTRY 1982 (per cent)

Sectors	10 years and more	Less Than 10 years	Less Than 5 years
Pyjamas and sleepwear	14	86	46
Outerwear	18	82	46
Trousers, shorts and overalls	20	80	50
Ladies' blouses, shirts, T-shirts and sweatshirts	21	79	54
Men's structured suits and jackets	21	79	45
Sweaters, pull-overs and cardigans	25	75	37
Ladies' dresses, skirts and sportswear, unstructured suits	26	74	39
Swimwear	29	71	32
Jackets, overcoats and topcoats, leather coats and jackets	31	69	33
Men's tailored collar shirts	36	64	42
Underwear	37	63	40
Raincoats	49	51	29
Foundation garments	59	41	26
Weighted percentage, 13 sectors	**26**	**74**	**43**

SOURCE : Textile and Clothing Board, Annual Report on Textiles and Clothing, 1983.

In its analysis of capital and repair expenditures, the Office of Industrial Adjustment indicated that the bulk of capital expenditures in the trouser sector were made by jean manufacturers. Several of the larger producers opened new plants or enlarged existing plant capacity. A number of firms acquired automated equipment, including computerized marker-graders and in-plant product transportation systems to up-grade their operations. These observations were confirmed by data provided by the Canadian Industrial Renewal Board (CIRB) which revealed that jean manufacturers accounted for the major share of capital investment in the trouser sector, based on the total investment by those firms for whom CIRB contributions have been approved.

A further indication of the efforts by jean manufacturers to modernize their equipment and production facilities is available from the questionnaire received in the context of the Board's annual survey of clothing manufacturers. On the basis of information received from eleven firms engaged primarily in the manufacture of jeans, expenditures on machinery and equipment averaged $3.2 million annually from 1980 to 1983. Investment planned for 1984 amounted to $1.6 million.

Investment by jean manufacturers was further corroborated by the results of a special survey carried out for this inquiry. In this survey, seven jean manufacturers reported an average investment of $1.7 million annually from 1980 to 1983 and plans to invest an equivalent amount in 1984. Four of the companies reported that all of their equipment was less than 10 years old, while the remaining companies reported that at least three-quarters was less than 10 years old.

The same survey showed that capacity utilization for the four jean manufacturers answering this question decreased from 88 per cent in 1981 to 68 per cent during the recession of 1982 and recovered slightly to 72 per cent in 1983 (Table 8). Employment by these same producers experienced the same sharp decline in 1982 and has declined even further in 1983. While several of the major jean manufacturers did not associate themselves directly with the complaint, information available to the Board indicates that these firms have experienced essentially the same difficulties.

Table 8

PRODUCTION CAPACITY, PRODUCTION, CAPACITY UTILIZATION AND EMPLOYMENT FOR FOUR JEAN MANUFACTURERS[1]

	1981	1982	1983
Production Capacity (units)	8,100,000	8,100,000	8,680,000
Production (units)	7,111,197	5,548,258	6,248,428
Capacity Utilization (per cent)	88	68	72
Employment (no. of production employees)	1,616	1,317	1,192

(1) Four jean manufacturers responded to the question.

SOURCE : Textile and Clothing Board, 1984 Trouser Inquiry Survey.

5. IMPORTS

Import statistics are available for jeans, but as noted earlier in this report, the Board is of the opinion that these statistics are understated. This is because trousers made by the jean construction method but not described as jeans have been imported and are likely to continue to be imported. For this reason the Board has looked initially at imports of trousers covered by import category 37.2, the category which includes, inter alia, jean-constructed trousers whether or not described as jeans.

Imports of trousers as described in import category 37.2 averaged 15,629,000 garments annually, during the period from 1979 to 1982 with little variation from year to year. A dramatic change occurred in 1983: imports increased to 22,928,000 garments, up 45 per cent from the 1982 level of 15,788,000. This high level of imports has continued into 1984 (Table 9).

Table 9

IMPORTS OF TROUSERS
IMPORT CATEGORY 37.2
('000 garments)

	1979	1980	1981	1982	1983	January - June 1983	January - June 1984
Hong Kong	2,963	4,678	5,395	4,671	6,958	4,127	2,519
China, People's R.	3,817	3,664	2,743	2,535	5,058	2,454	3,116
Taiwan	2,674	1,461	2,349	3,138	3,398	2,172	1,962
Korea, South	1,123	555	602	885	2,177	1,609	1,108
Indonesia	-	1	2	190	649	225	517
India	84	37	185	241	267	148	354
Haiti	-	-	neg	19	110	77	36
Malaysia	-	1	9	49	209	63	314
Cuba	-	-	-	11	150	39	120
Brazil	111	98	105	67	27	27	111
Hungary	1	1	8	35	73	10	10
Other sources	**4,688**	**3,421**	**4,299**	**3,947**	**3,852**	**1,816**	**2,676**
TOTAL ALL SOURCES	**15,461**	**13,917**	**15,697**	**15,788**	**22,928**	**12,767**	**12,843**

neg - negligible.
SOURCE : Statistics Canada.

Ironically, the four largest sources of imports, all of which were subject to bilateral restraint agreements, accounted for 89 per cent of the increase in imports from 1982 to 1983. The increase was 146 per cent from South Korea, 100 per cent from China, 49 per cent from Hong Kong and 8 per cent from Taiwan. Sharp increases also occurred in imports from other sources. For example, imports from Indonesia increased from 2,000 garments in 1981 to 649,000 in 1983. In addition, new sources of imports have emerged such as Cuba and Haiti. In the first 6 months of 1984 imports from the aforementioned four largest sources decreased by 16 per cent, while imports from all other sources increased by 72 per cent. Detailed statistics for all imports under category 37.2 are given in Appendix 4.

Low-cost sources have continued to increase their share of total imports of trousers. Their share in import category 37.2 increased steadily from 82 per cent in 1979 to 94 per cent in 1983 (Table 10).

Table 10

IMPORTS OF TROUSERS
IMPORT CATEGORY 37.2

('000 garments)

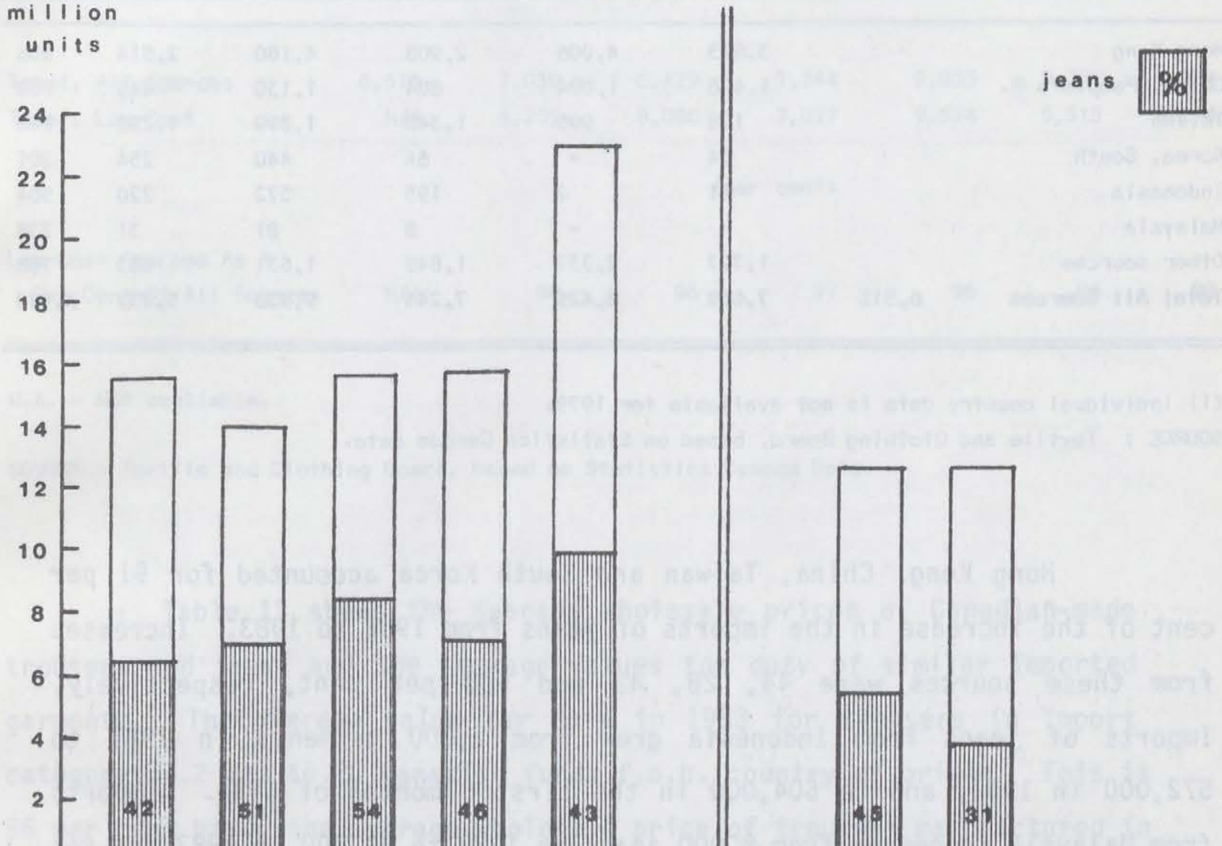
	1979	1980	1981	1982	1983
Total Imports	15,461	13,917	15,697	15,788	22,928
Low-Cost Imports	12,640	11,706	14,026	14,440	21,665
			(per cent)		
Share Of Total Imports Held By Low-Cost Imports	82	84	89	91	94

SOURCE : Statistics Canada.

Jeans accounted annually for between 42 and 54 per cent of import category 37.2 in the years from 1979 to 1982 (Chart 1). There were wide variations in the levels of imports of jeans during this period. For example, from 1980 to 1981 imports of jeans increased by 20 per cent, whereas from 1981 to 1982 they decreased by 14 per cent. As in the case of import category 37.2 as a whole, there was a sharp increase in imports of jeans from 1982 to 1983 of 37 per cent. However, while imports under import category 37.2 remained at the 1983 level during the first half of 1984, imports of jeans were down by 31 per cent during the same period compared to the first 6 months of 1983. As noted earlier, however, the Board is of the opinion that import statistics for jeans are likely to be understated.

Chart 1

TOTAL IMPORTS UNDER IMPORT CATEGORY 37.2 AND JEANS' SHARE OF SUCH IMPORTS



Source: Statistics Canada

Table 11

IMPORTS OF JEANS

('000 garments)

	1979[1]	1980	1981	1982	1983	Jan - June 1983	Jan - June 1984
Hong Kong		3,693	4,006	2,908	4,180	2,614	906
China, People's R.		1,426	1,094	884	1,130	443	589
Taiwan		128	995	1,340	1,899	1,292	748
Korea, South		64	-	64	440	254	201
Indonesia		1	2	195	572	220	504
Malaysia		-	-	8	81	31	238
Other sources		1,727	2,332	1,845	1,631	883	788
Total All Sources	**6,515**	**7,039**	**8,429**	**7,244**	**9,933**	**5,737**	**3,974**

(1) Individual country data is not available for 1979.

SOURCE : Textile and Clothing Board, based on Statistics Canada data.

Hong Kong, China, Taiwan and South Korea accounted for 91 per cent of the increase in the imports of jeans from 1982 to 1983. Increases from these sources were 44, 28, 42 and 588 per cent, respectively. Imports of jeans from Indonesia grew from 2,000 garments in 1981 to 572,000 in 1983, and to 504,000 in the first 6 months of 1984. Imports from Malaysia increased from 8,000 jeans in 1982 to 81,000 in 1983 and to 238,000 in the January to June period of 1984. Jeans originating in low-cost sources accounted for 96 per cent of all jeans imported into Canada in 1983 (Table 12). Detailed statistics on imports of jeans are given in Appendix 5.

Table 12

IMPORTS OF JEANS

('000 garments)

	1979	1980	1981	1982	1983	Jan - June 1983	Jan - June 1984
Total, All Sources	6,515	7,039	8,429	7,244	9,933	5,737	3,974
Total, Low-Cost	N/A	6,205	8,080	7,027	9,574	5,515	3,894
				(per cent)			
Low-Cost Sources As A Per Cent Of All Sources	N/A	88	96	97	96	96	98

N.A. - Not available.

SOURCE : Textile and Clothing Board, based on Statistics Canada Data.

Table 13 shows the average wholesale prices of Canadian-made trousers and jeans and the average values for duty of similar imported garments. The average value for duty in 1983 for trousers in import category 37.2 was $6.20 Canadian funds f.o.b. country of origin. This is 56 per cent below the average wholesale price of trousers manufactured in Canada ($14.23). The average value for duty of imports from China, the lowest priced major low-cost supplier, was 71 per cent below the average Canadian wholesale price while the average value for duty for Hong Kong, the highest priced major low-cost supplier was 48 per cent lower (Table 13).

Table 13

AVERAGE CANADIAN WHOLESALE PRICES
AND
AVERAGE VALUES FOR DUTY
IMPORT CATEGORY 37.2 AND JEANS
1983
(Canadian dollars)

SOURCE	Import Category 37.2	Jeans
Canada	**14.23(e)**	**14.02(e)**
IMPORTS (ALL SOURCES)	6.20	6.81
Hong Kong	7.43	7.88
China, People's R.	4.11	4.37
South Korea	5.12	5.38
Taiwan	5.59	6.15
Indonesia	5.45	5.62
Malaysia	6.49	8.29

(e) Estimated.
SOURCES : Statistics Canada for import values.
Canadian prices estimated by Textile and Clothing Board, based on 1982 price index for jeans and trousers, slacks, breeches of more than 50 per cent man-made fibres.

The average value for duty of jeans imported into Canada from all sources in 1983 was $6.81, or 49 per cent of the average wholesale price of Canadian-made jeans ($14.02). Once again, China was the lowest priced major low-cost supplier with an average value 69 per cent less than the Canadian average, and Hong Kong the highest priced, major low-cost supplier, with an average value 44 per cent below the Canadian average.

Average values, of course, reflect product mix. Jeans manufactured in Canada range from very basic, lower-priced garments to high style, higher-priced designer jeans, with garments at all price levels being made from a variety of fabrics. Imported jeans are also available over the same range of styles and fabrics. For this reason, in the Board's opinion, a comparison of average values of Canadian-made and imported jeans is appropriate in this respect.

6. IMPORT RESTRAINTS

The number of countries which have agreed to limit their exports of trousers (import category 37) to Canada has grown from 8 in 1979 to 17 in 1984 (Table 14).

Table 14

RESTRAINED SOURCES OF TROUSERS, SLACKS, SHORTS, OVERALLS AND COVERALLS (IMPORT CATEGORY 37)

SOURCE	1979	1980	1981	1982	1983	1984
Taiwan	x	x	x	x	x	x
Hong Kong	x	x	x	x	x	x
China, People's R.	x	x	x	x	x	x
Korea, South	x	x	x	x	x	x
Macau	x	x	x	x	x	x
Thailand	x	x	x	x	x	x
Romania	x	x	x	x	x	x
Bulgaria	x	x	x	x	x	x
India		x	x	x	x	x
Singapore				x	x	x
Philippines				x	x	x
Poland				x	x	x
Czechoslovakia				x	x	x
Pakistan					x	x
Sri Lanka					x	x
Indonesia					x	x
Malaysia						x
TOTAL	**8**	**9**	**9**	**13**	**16**	**17**

SOURCE : Department of External Affairs.

These bilateral restraint agreements cover, inter alia, trousers, slacks, shorts, overalls and coveralls for both genders and all ages, made from fabrics containing cotton, man-made fibre, wool or blends of those fibres. Most of the agreements provide for an overall level for the complete range of trousers (Table 15); in no case is there either a specific level or a sub-level for jeans. The agreements for the most part provide the exporting country complete flexibility to concentrate their exports in whatever type of trousers is in greatest demand in the Canadian market.

The levels of restraint in 1984 ranged from 249,000 garments for Sri Lanka to 6,179,800 for China. While the total level of restraints is 24,839,896 garments, the flexibility provisions of the agreements (swing, carryover and carry forward)[1] permit the exporting country to exceed its level. The degree of flexibility, however, is limited and is specified in each agreement. For example, in the case of China the swing provision is 5 per cent, the carryover/carry forward provision is 10 per cent, and the two used in combination shall not exceed 12 per cent.

Table 15

GROWTH RATES AND
1984 LEVELS OF RESTRAINT
FOR
TROUSERS, SLACKS, SHORTS, OVERALLS AND COVERALLS
(IMPORT CATEGORY 37)

SOURCE	ANNUAL GROWTH RATES (per cent)	LEVELS (no. of garments)
China, People's Republic	5	6,179,800
Hong Kong	2	5,814,120
Taiwan	3	4,137,510
Korea, South	5	2,433,600
Singapore	6	954,000
Poland	3	689,585
Malaysia	6	592,000 (1)
Indonesia	6	575,000
Philippines	6	561,800
Thailand	6	498,200
India	6	450,500
Czechoslovakia	6	449,440
Romania	6	414,401
Pakistan	6	403,860
Macau	6	337,080
Sri Lanka	6	249,000
Bulgaria (2)	N/A	100,000
TOTAL	**4.1**	**24,839,896**

N/A - Not Applicable
(1) Because of a partial ex-quota arrangement in 1984, the 1985 level of the Malaysian restraint will not exceed 335,000 units + 6 per cent.
(2) Consultation level.
SOURCE : Department of External Affairs.

(1) The swing provision permits an exporter to exceed a restraint level provided an equivalent amount is deducted from another restraint level. Carryover permits the unutilized portion of a restraint to be used in the following year, and carry forward allows borrowing from the next year with a corresponding reduction in the restraint for that next year.

As shown in Table 15, the overall weighted annual growth rate of the restraint levels is 4.1 per cent. This appears to be a relatively high growth rate for a product for which apparent domestic demand has grown about 1.7 per cent annually over the last four years and which has been consistently identified as a "sensitive" product since 1977.

Restraint utilization levels are contained in Table 16. Upward pressures on restraint levels are evident from this table : of the 16 countries that restrained their exports of trousers to Canada in 1983, utilization was 90 per cent or more in 11 instances and, more significantly, was 98 per cent in total. This not only signifies increased competition for Canadian manufacturers from restrained sources, but it also leads to additional competition from unrestrained low-cost countries as importers seek new sources of supply. In 1983, three new low-cost sources were added to the number of restrained countries (Pakistan, Sri Lanka and Indonesia). In 1984 Malaysia was added and three additional sources have been requested to restrain their exports to Canada (Brazil, the Dominican Republic and Cuba).

Table 16

RESTRAINT UTILIZATION
TROUSERS, SLACKS, SHORTS, OVERALLS, AND COVERALLS
(IMPORT CATEGORY 37)
(per cent)

SOURCE	1980	1981	1982	1983
Taiwan	41	73	99	96
Hong Kong	111	113	104	104
China, People's Republic	100	97	100	111
Korea, South	15	28	84	99
Macau	108	100	99	100
Thailand	72	62	122	90
Romania	0	95	29	83
Bulgaria	0	0	21	30
India	36	100	58	93
Singapore			92	101
Philippines			91	96
Poland			64	35
Czechoslovakia			44	49
Pakistan				72
Sri Lanka				100
Indonesia				100
Total	**68**	**81**	**93**	**98**

SOURCE : Department of External Affairs.

7. THE DENIM MARKET

The jean industry is the most important customer of the two Canadian manufacturers of denim fabric, and a significant consumer of fabrics other than denim used in the manufacture of jean-constructed trousers. The fabric manufacturers, therefore, have a direct interest in the market share which is available to Canadian jean manufacturers.

Denim fabric, which in 1983 represented 67 per cent of the fabrics used in jean production (Table 1), has been manufactured in Canada intermittently since the 1920s. It was not until the early and late 1970s however, that Canadian producers made the large scale investments that were required to meet the increasing demand for denim fabric.

These investments, together with aggressive marketing by denim manufacturers, have had a significant effect on imports of denim fabric. Whereas in 1976 imports supplied more than two-thirds of the Canadian denim market, seven years later the situation has reversed itself: Canadian manufacturers now supply more than two-thirds of the demand for denim fabric.

A confidential report on the apparent Canadian market for denim fabric was prepared for the Board by the Office of Industrial Adjustment, Department of Regional Industrial Expansion. Because of confidentiality, data from that report is presented in index form in Table 17.

Table 17

INDEX
OF
APPARENT CANADIAN MARKET
DENIM FABRIC
(1976 = 100)

	1976	1977	1978	1979	1980	1981	1982	1983
Net Domestic Shipments(1)	100	67.3	115.6	177.4	251.0	258.6	158.5	190.7
Imports	100	100.1	68.8	56.7	45.5	36.4	27.6	33.9
Apparent Canadian Market	100	89.8	83.5	94.6	110.1	106.2	68.7	83.0

(1) Shipments of denim fabric produced in Canada and sold to Canadian customers.

SOURCE : Textile and Clothing Board, based on data supplied by the Department of Regional Industrial Expansion.

The Canadian market for denim fabric peaked in 1980, decreased in 1981 and 1982 and picked up noticeably in 1983. In fact, the market in 1980 was 10 per cent higher than in 1976, the first year for which such data is available, and 60 per cent above the 1982 market level which was the lowest point in the period from 1976 to 1983. Net domestic shipments during this period reached their highest level in 1981, at 284 per cent above the lowest level which was registered in 1977. The 1983 level of net domestic shipments was 26 per cent below the high point.

Imports of denim fabric decreased annually from 1977 reaching their lowest level in 1982. This trend was reversed in 1983 when there was a 23 per cent increase over 1982. The origin of imports of denim fabric also changed markedly during this period : in 1978, only 21 per cent of denim imports originated in low-cost countries whereas in 1983, their share of denim imports had increased to 54 per cent (Appendix 6).

Imports of denim fabric from Hong Kong, the major foreign supplier of this fabric to the Canadian market, are covered by a specific restraint level in the bilateral restraint agreement between Canada and Hong Kong. Denim fabric is also subject to restraint within broadly defined product categories under the terms of agreements with three other countries exporting to the Canadian market.

While the magnitude of the changes in the denim and jean markets differs, the direction of the changes is similar, as illustrated in Table 18.

Table 18

PERCENTAGE CHANGES IN THE APPARENT CANADIAN MARKETS FOR JEANS AND DENIM FABRICS

YEAR	JEANS	DENIM FABRIC
1979 to 1980	9	16
1980 to 1981	- 3	- 4
1981 to 1982	-20	-35
1982 to 1983	17	21
1980 to 1983	-10	-25

SOURCES : Table 4 for jeans, and Table 17 for denim fabric.

Although there was a recovery in the jean and denim markets from 1982 to 1983, the apparent Canadian markets for those items remained below the highest levels of the 1979 to 1983 period which were reached in 1980. It is difficult statistically to determine a causal relationship between the number of jeans imported into Canada and the quantity of denim fabric manufactured in this country. Market factors such as demand, fashion, style and price affect both of these areas but not necessarily in the same manner. Obviously, Canadian manufacturers of denim fabric would be adversely affected if imported jeans were to capture a major share of the Canadian market.

8. CONCLUSIONS, OBSERVATIONS AND RECOMMENDATIONS

The Canadian market for trousers and slacks (import category 37.2) peaked in 1980, decreased in 1981 and 1982 and recovered in 1983. While shipments by Canadian manufacturers followed this trend, imports increased each year. Whereas net domestic shipments in 1983 were 19 per cent less than in 1980, imports were 65 per cent higher and had increased their share of the market from 22 per cent to 36 per cent.

In the case of jeans, the market also peaked in 1980, decreased in 1981 and 1982 and recovered partially in 1983. While net domestic shipments by Canadian manufacturers followed this trend, imports increased in 1981, decreased in 1982 and increased in 1983. Net domestic shipments of jeans in 1983 were 22 per cent less than in 1980 whereas imports were 41 per cent higher. As a result, imports increased their share of the market from 19 per cent to 30 per cent.

Canadian manufacturers of trousers, slacks and jeans have consistently increased their efforts to develop modern and efficient production facilities. Their expenditures on machinery and equipment have increased annually since 1979. The bulk of these expenditures are understood to have occurred in the jean sector. The Board's annual survey and its survey for this inquiry indicate that expenditures on plant and equipment will continue to be made in 1984.

Exports of jeans to Canada in 1984 are being limited by 17 countries and a further three countries have been requested to do likewise. The bilateral restraint agreements do not specify levels of restraint that apply only to jeans; rather, jeans are included in a broad category of trousers, slacks, shorts, overalls and coveralls manufactured from cotton, man-made fibres or wool.

The prices of the imported garments are substantially below those of comparable Canadian manufactured products.

X X X

The Canadian Apparel Manufacturers Institute (CAMI) has recommended that the Board advise the Minister of Regional Industrial Expansion to subject imports of trousers (import category 37) of all fibres from all low-cost and state-trading countries to an aggregate ceiling equivalent to the average annual level of imports from those sources from 1979 to 1982 inclusive. Another recommendation calls for individual limits for each import category and for separate limits within import category 37.2 for jeans and for the other trousers containing less than 5 per cent wool. There is also a recommendation for a duty remission program applicable to imports of finished garments and for a program to reduce the raw material costs incurred by trouser and jean manufacturers. Appendix 7 contains the details of these recommendations.

The Board noted that the broad category of trousers together with other clothing products have been the subject of recommendations by the Textile and Clothing Advisory Committee to the Minister of State for International Trade calling for the imposition of a global quota under Article XIX of the General Agreement on Tariffs and Trade. The recommendations envisage an overall ceiling on imports together with levels and sub-levels for individual garment categories. The Committee suggested that the quota level for trousers be established on the basis of a formula which would produce a lower level than would be the case if the formula suggested for all other garments were used. It is understood that the recommendations reflect the consensus reached by the Committee which has representation from the textile and clothing manufacturing sectors, the importing and the retail sectors, and from labour and consumers. The recommendations of the Committee are contained in Appendix 8.

The intent of CAMI's recommendations to the Board is essentially the same as that of the Textile and Clothing Advisory Committee, that is, to bring about a degree of stability in the Canadian market which would benefit all concerned. However, they do differ in approach. CAMI has requested an aggregate ceiling on imports from all low-cost and state trading countries, whereas the Textile and Clothing Advisory Committee recommended a global quota applicable to all exporting countries. CAMI is of the view that the wording of Article XIX of the GATT permits selective application on a selective basis. Also, CAMI has requested a sub-quota for jeans, whereas jeans were not singled out by the Committee.

To the Board's knowledge no decision has yet been made regarding the global quota recommendation of the Textile and Clothing Advisory Committee to the Minister of International Trade. The Board noted, however, that Canada has stepped up efforts to bring under restraint new and disruptive sources of imports of all types of trousers.

Over the last few years several plants have closed their doors. Capacity utilization has decreased and employment in the sector has diminished significantly. Remaining manufacturers have tried to increase their competitive capacity by investing heavily in the newest technology available, by developing new product lines and by reducing their labour and inventory costs. On the basis of the evidence presented in this inquiry the Board has concluded that trousers, slacks and jeans (import category 37.2) continue to be imported at such prices, in such quantities and under such conditions as to cause serious injury to the production of these goods in Canada.

Regarding the specific nature of restraints, the Board is concerned that when products are rigidly defined, it sometimes provides greater opportunities for circumvention. This problem could very well arise in the case of jeans, particularly in view of the lack of unanimity regarding a definition for this product. Trousers are already categorized by the Board in five sub-categories under import category 37 as previously noted. These five sub-categories have been used by the Board since 1979. They are well known to importers and exporters as well as to Canadian manufacturers and are easily administered.

X X X

In light of the foregoing and of the situation in the Canadian market for trousers, slacks and jeans (import category 37.2), the Textile and Clothing Board recommends that:

(1) Canada continues to ensure that new and disruptive sources of imports of trousers, slacks and jeans (import category 37.2) are brought under restraint with the least possible delay and at the least possible disruptive levels. Requests to enter into bilateral consultations be made when the level of imports (import category 37) reaches 100,000 units, the lowest consultation level provided for in bilateral agreements currently in force;

(2) New agreements for restraints covering trousers, slacks, shorts, overalls and coveralls (import category 37), include sub-levels based on the Textile and Clothing Board's five import categories.

(3) If an agreement cannot be reached within the 60-day time period provided for under the Multifibre Arrangement, Canada takes unilateral action to bring imports under control.

The Textile and Clothing Board will re-examine the situation in the trouser, slack and jean market as part of its general inquiry into the effects of the special measures of protection on the textile and clothing market in Canada which will be conducted in 1985.

Appendix 1

TEXTILE AND CLOTHING BOARD

PUBLIC NOTICE OF INQUIRY

TROUSERS, SLACKS, SHORTS, JEANS, OVERALLS AND COVERALLS

The Textile and Clothing Board has received from the Canadian Apparel Manufacturers Institute a notice of complaint pursuant to Section 8 of the Textile and Clothing Board Act alleging that the importation into Canada of trousers, slacks, shorts, jeans, overalls and coveralls has caused and is threatening to cause serious injury to the production in Canada of these goods, and requesting that the Board conduct an inquiry into the said allegation.

The Board has agreed to act upon this request for an inquiry. Accordingly, the Board proposes:

(1) to undertake an inquiry and make a report to the Minister of Regional Industrial Expansion regarding the effects on Canadian production of imports of trousers, slacks, shorts, jeans, overalls and coveralls in all sizes, of both genders and of all fibres, included in import control category 37.

(2) to examine any plans for adjustment in their operations which Canadian producers of such goods submit to the Board; and

(3) if it should be found that the products in question are being imported at such prices, in such quantities and under such conditions as to cause or threaten serious injury to production in Canada, and that the plans submitted by Canadian producers are acceptable, to include in its report a recommendation as to whether, in the Board's opinion, special measures of protection should be implemented in respect of any such goods.

The Board requests all interested parties to submit briefs relating to this inquiry not later than May 31, 1984. Ten copies of each brief should be supplied. The Board will not release copies of such briefs and the confidentiality of confidential material contained in them will be maintained. Those submitting briefs are free to make them public if they wish.

Each Canadian producer who wishes to associate himself with the notice of complaint filed by the Canadian Apparel Manufacturers Institute will be expected to file with the Board a plan describing the adjustments he proposes to make in his operations in order to increase his ability to meet international competition in the market in Canada.

Hearings relating to this inquiry are tentatively scheduled for the weeks of June 11 and 18, 1984, in Montreal, Toronto and Winnipeg. Specific dates and venues for these hearings will then be announced later. At any such hearings, supplementary presentations or arguments will be accepted by the Board from organizations or persons who will have submitted briefs before May 31, 1984 and have given notice of their wish to make supplementary oral presentations. Hearings will be in public if, in the opinion of the Board, the nature of the information to be disclosed so permits.

All correspondence and briefs regarding this inquiry should be addressed to the Secretary, Textile and Clothing Board, Floor 01 West, C.D. Howe Building, 235 Queen Street, Ottawa, Ontario, K1A 0H5 (Telephone 593-6336)

Ottawa, Ontario
April 27,1984

Appendix 2

FIRMS AND ORGANIZATIONS WHICH PRESENTED BRIEFS OR SUPPORTED BRIEFS TO THE BOARD AND APPEARED AT HEARINGS OF THE BOARD

(jockstraps?

	Presented A Brief	Supported A Brief	Appeared at Hearings
Acme Garment Company Limited		x	x
Aero Garment Limited	x		x
Big Blue Jeans Limited		x	x
Canadian Apparel Manufacturers Institute	x		x
Canadian Textiles Institute	x		x
Dominion Textile Inc.	x		x
Forsyth Trading Co.	x		x
Galaxy Garments International Limited		x	
Howick Apparel Ltd.	x		x
I. Hignell & Associates Limited	x		x
Jantzen Canada Inc.		x	
Japan Textile Products Exporters' Association	x		
Keystone Industries		x	
La compagnie manufacturière Jack Spratt	x		x
SAB Enterprises Ltd.	x		
Silpit Industries	x		x
Tan Jay International Limited		x	x
The Taiwan Textile Federation	x		
Wabasso Inc.	x		x
Wescott Fashions		x	x
Western Glove Works Limited		x	x
Wishbone	x		

Appendix 3

APPARENT CANADIAN MARKET
TROUSERS AND SLACKS, SHORTS, OVERALLS AND COVERALLS
IMPORT CATEGORY 37

('000 garments)

	1975	1979	1980	1981	1982	1983
Domestic Shipments	47,189	60,393	65,439	58,377	53,631	54,922
Less Exports	770	895	2,181	1,256	1,979	1,974
Net Domestic Shipments	46,419	59,498	63,258	57,121	51,652	52,948
Imports	27,508	23,383	21,168	25,033	24,942	32,467
Apparent Canadian Market	73,927	82,881	84,426	82,154	76,594	85,415
			(per cent)			
Share of Market Held By:						
Net Domestic Shipments	63	72	75	70	67	62
Imports	37	28	25	30	33	38

SOURCE : Textile and Clothing Board.

Appendix 4

IMPORTS OF
PANTS AND SLACKS, ALL OTHER - WOMEN'S, GIRLS', MEN'S AND BOYS'
IMPORT CATEGORY 37.2
('000 garments)

SOURCE	1979	1980	1981	1982	1983	Jan - June 1983	Jan - June 1984
RESTRAINED							
Hong Kong	2,963	4,678	5,395	4,671	6,958	4,127	2,519
People R. China	3,817	3,664	2,743	2,535	5,058	2,454	3,116
Taiwan	2,674	1,461	2,349	3,138	3,398	2,172	1,962
Korea, South	1,123	555	602	885	2,177	1,609	1,108
Singapore	3	7	402	629	650	302	430
Indonesia	-	1	2	190	649	225	517
Philippines	1	35	861	730	520	258	238
Macau	142	268	310	287	430	288	224
India	84	37	185	241	267	148	354
Romania	57	neg	39	69	232	-	312
Thailand	8	65	47	147	230	97	149
Sri Lanka	-	15	21	35	142	63	140
Pakistan	13	28	51	150	142	77	91
Czechoslovakia	109	67	77	106	103	8	32
Poland	416	291	468	288	91	32	249
Bulgaria	-	-	-	-	15	15	22
Total Restrained	**11,409**	**11,174**	**13,552**	**14,103**	**21,062**	**11,877**	**11,461**
UNRESTRAINED LOW-COST							
Malaysia	-	1	9	49	209	63	314
Cuba	-	-	-	11	150	39	120
Haiti	-	-	neg	19	110	77	36
Hungary	1	1	8	35	73	10	10
Brazil	111	98	105	67	27	27	111
Costa Rica	-	-	33	90	18	18	-
Mexico	537	424	300	2	5	1	52
Morocco	-	-	neg	8	3	neg	neg
Ecuador	neg	neg	neg	1	3	1	1
Turkey	-	-	-	neg	2	neg	13
Dominican Republic	-	-	-	-	2	-	97
Cyprus	-	-	1	1	neg	neg	-
Peru	-	-	1	-	neg	-	-
Guatemala	-	neg	neg	neg	neg	neg	-
Uruguay	-	1	1	neg	neg	-	neg
Leew-Wind Is.	24	-	15	-	-	-	-
Colombia	-	7	-	-	-	-	-
Br. Oceania nes	-	-	1	-	-	-	-
Mauritius-Dep.	-	-	-	neg	-	-	-
Egyptian A.R.	-	-	-	neg	-	-	-
Algeria	neg	-	-	-	-	-	-
Malta	-	-	neg	53	-	-	neg
El Salvador	neg	neg	-	-	-	-	8
Neth. Antilles	neg	-	-	-	-	-	-
Puerto Rico	558	neg	neg	neg	-	-	-
Total Unrestrained Low-Cost	**1,231**	**532**	**474**	**337**	**603**	**236**	**763**

Appendix 4 (cont'd)

IMPORTS OF
TROUSERS AND SLACKS, ALL OTHER - WOMEN'S, GIRLS', MEN'S AND BOYS'
IMPORT CATEGORY 37.2
('000 garments)

SOURCE	1979	1980	1981	1982	1983	Jan - June 1983	Jan - June 1984
DEVELOPED COUNTRIES							
United States	1,464	1,238	932	669	692	383	285
France	233	153	216	210	186	87	96
Japan	29	10	34	43	114	66	56
Italy	91	104	148	194	104	39	78
Germany West	21	22	35	72	58	24	51
United Kingdom	30	31	31	26	39	14	20
New Zealand	1	1	7	1	12	8	neg
Austria	17	17	25	41	12	5	2
Greece	neg	1	2	4	9	8	9
Ireland	neg	neg	2	1	9	8	neg
Switzerland	17	11	4	10	6	4	1
Sweden	14	11	14	12	5	2	3
Denmark	neg	-	neg	1	4	neg	1
Finland	2	1	3	8	4	1	1
Belgium-Luxemburg	neg	1	neg	1	3	neg	4
Norway	1	-	4	5	1	1	2
South Africa	1	1	neg	-	1	1	1
Netherlands	-	1	neg	1	1	1	1
Australia	1	neg	-	neg	neg	neg	-
Iceland	-	-	-	neg	-	-	-
Total Developed Countries	**1,926**	**1,603**	**1,457**	**1,298**	**1,258**	**653**	**612**
OTHER COUNTRIES							
Portugal	1	2	neg	2	3	neg	5
Spain	888	600	211	40	1	neg	1
Israel	5	6	3	8	1	neg	1
Total Other Countries	**895**	**608**	**214**	**50**	**4**	**1**	**7**
TOTAL ALL SOURCES	**15,461**	**13,917**	**15,697**	**15,788**	**22,928**	**12,767**	**12,843**

neg - negligible.

Totals may not add due to rounding.

SOURCE : Statistics Canada.

Appendix 5

IMPORTS OF JEANS
('000 garments)

SOURCE	1979(1)	1980	1981	1982	1983	Jan - June 1983	Jan - June 1984
RESTRAINED							
Hong Kong		3,693	4,006	2,908	4,180	2,614	906
China, People's Republic		1,426	1,094	884	1,130	443	589
Taiwan		128	995	1,340	1,899	1,292	748
Korea, South		64	-	64	440	254	201
Singapore		5	320	474	379	139	287
Indonesia		1	2	195	572	220	504
Philippines		35	785	725	452	249	170
Macao		241	286	216	283	189	156
India		1	neg	1	-	-	4
Romania		-	36	56	-	-	1
Thailand		62	25	83	123	53	22
Sri Lanka		1	3	-	neg	-	-
Pakistan		3	-	-	-	-	-
Czechoslovakia		-	10	16	-	-	-
Poland		25	120	-	12	12	-
Bulgaria		-	-	-	-	-	-
Total Restrained		**5,685**	**7,682**	**6,962**	**9,470**	**5,465**	**3,588**
UNRESTRAINED LOW-COST							
Malaysia		-	-	8	81	31	238
Cuba		-	-	-	-	-	-
Haiti		-	-	-	-	-	-
Hungary		-	-	-	-	-	-
Brazil		97	103	4	19	19	8
Costa Rica		-	12	-	-	-	-
Mexico		415	284	-	4	neg	32
Morocco		-	-	-	-	-	-
Ecuador		-	-	-	-	-	-
Turkey		-	-	-	neg	neg	-
Dominican Republic		-	-	-	-	-	28
Cyprus		-	-	-	-	-	-
Peru		-	-	-	-	-	-
Guatemala		neg	neg	neg	-	-	-
Uruguay		-	-	-	-	-	-
Leew-Wind Is.		-	-	-	-	-	-
Colombia		7	-	-	-	-	-
Br. Oceania		-	-	-	-	-	-
Mauritius		-	-	-	-	-	-
Egyptian A.R.		-	-	-	-	-	-
Algeria		-	-	-	-	-	-
Malta		-	-	53	-	-	-
El Salvador		-	-	-	-	-	-
Neth. Antilles		-	-	-	-	-	-
Puerto Rico		neg	-	neg	-	-	-
Total Unrestrained Low-Cost		**520**	**398**	**65**	**104**	**50**	**306**

(1) Country data not available.

Appendix 5 (cont'd)

IMPORTS OF JEANS
('000 garments)

SOURCE	1979[1]	1980	1981	1982	1983	JAN - JUNE 1983	JAN - JUNE 1984
DEVELOPED COUNTRIES							
United States		231	119	154	270	185	46
France		4	6	4	28	3	3
Japan		-	13	16	37	30	19
Italy		6	10	1	4	2	4
Germany, West		-	neg	neg	1	neg	2
United Kingdom		neg	1	neg	7	1	6
New Zealand		-	-	-	-	-	-
Austria		-	-	-	-	-	-
Greece		-	-	-	1	1	-
Ireland		-	-	-	-	-	-
Switzerland		-	-	-	-	-	neg
Sweden		-	-	-	neg	neg	neg
Denmark		-	-	neg	-	-	-
Finland		-	neg	-	neg	neg	-
Belgium-Luxemburg		neg	-	-	neg	-	-
Norway		-	-	-	-	-	-
South Africa		-	-	-	-	-	-
Netherlands		-	-	-	-	-	neg
Australia		-	-	-	-	-	-
Iceland		-	-	-	-	-	-
Total Developed Countries		**242**	**149**	**176**	**346**	**222**	**80**
OTHER COUNTRIES							
Portugal		-	-	-	-	-	-
Spain		592	200	36	neg	-	neg
Israel		1	-	-	-	-	-
Total Other Countries		**592**	**200**	**36**	**neg**	-	**neg**
TOTAL ALL SOURCES	**6,515**	**7,039**	**8,429**	**7,244**	**9,933**	**5,737**	**3,974**

(1) Country data not available.

Totals may not add due to rounding.

SOURCE : Textile and Clothing Board, based on Statistics Canada data.

Appendix 6

IMPORTS OF DENIM FABRIC
(Cotton and polyester/cotton)
('000 kg)

LOW-COST COUNTRIES	1978(1)	1979	1980	1981	1982	1983
Hong Kong	900	396	442	619	711	1 596
Thailand	227	182	-	140	183	419
Brazil	-	94	331	337	117	115
Taiwan	-	-	13	1	19	113
China, People's R.	-	18	22	105	45	16
Argentina	-	-	159	222	43	11
Macao	-	-	-	-	-	11
Leew-Wind Is.	-	-	-	-	-	9
Malaysia	7	-	5	8	15	8
Mexico	650	496	56	6	-	6
Puerto Rico	-	-	-	-	-	6
Columbia	18	-	14	-	2	2
Guatemala	-	-	-	-	-	1
Korea, South	22	-	2	4	1	-
Venezuela	-	-	-	-	neg	-
Singapore	-	-	-	9	-	-
Peru	-	neg	-	-	-	-
India	2	-	-	-	-	-
Cuba	-	-	1	-	-	-
Total Low-Cost	**1,827**	**1,187**	**1,045**	**1,449**	**1,135**	**2,314**
OTHER COUNTRIES						
United States	5,749	5,765	4,408	3,008	1,864	1,346
Spain	2	51	245	70	383	338
Japan	917	5	26	63	38	152
Italy	-	-	-	-	1	103
Germany, West	3	-	-	1	30	1
France	143	-	-	2	neg	1
Australia	-	-	-	-	5	-
Switzerland	-	-	-	7	-	-
Finland	-	-	-	-	-	neg
United Kingdom	-	-	-	-	-	neg
Belgium-Lux.	5	84	-	9	16	-
Austria	-	-	-	-	18	-
Total Other Countries	**6,819**	**5,905**	**4,679**	**3,160**	**2,338**	**1,942**
Share Of Total Imports Held By Low-Cost Countries	**21**	**17**	**18**	**31**	**33**	**54**
Total Imports	**8,646**	**7,092**	**5,724**	**4,610**	**3,474**	**4,255**

Totals may not add due to rounding.

(1) Some individual country data for 1978 were supplied by the Office of Industrial Adjustment, Department of Regional Industrial Expansion.

SOURCE : Statistics Canada.

Appendix 7

EXTRACT FROM
THE CANADIAN APPAREL MANUFACTURERS INSTITUTE'S BRIEF

CONCLUSIONS AND RECOMMENDATIONS

Trousers, slacks, shorts, overalls, and coveralls in all sizes and in all genders are being imported into Canada from many low-cost and state trading countries in quantities and at prices which have caused, are causing and are likely to cause serious injury to producers in Canada of like goods. If strong action is not introduced to place an effective limit on these imports the damage to Canadian producers will be difficult if not impossible to repair. The seriousness of the situation of this sector has been recognized by the Advisory Panel to the Minister of State for International Trade in their consensus recommendation for emergency action (Appendix A).

RECOMMENDATIONS

1. That imports of trousers, slacks, shorts, jeans, overalls, and coveralls from all low-cost and state trading countries be subject to an aggregate ceiling at the average level of imports during the period 1979-82. This, we recognize, is a selective application of GATT Article XIX. We submit that the wording of this article permits selective application on a selective basis. Article XIX does not limit the obligations which a Contracting Party may suspend. This includes the obligation to act on a non-discriminatory basis.

2. That within this aggregate level sub-limits be established on the basis of the current categories 37.1, 37.2, 37.3, 37.4 and 37.5, except that category 37.2 be divided into two separate sub-categories for jeans and for other trousers containing less than 5 per cent wool. The sub-quota limits should be based on the average annual level of import permits issued for each product from 1979-82.

3. That the quotas recommended in 1 and 2 cover the subject goods manufactured of all textile fibres, including silk, linen, ramie etc.

4. That the Board recommend to the Minister of Finance a remission program to enable Canadian trouser manufacturers to import, free of duty, finished garments of the class they produce in Canada, in a fixed proportion to their production in Canada.

5. A program be established to reduce the raw material costs of trouser and jean manufacturers to enable them to compete more effectively in the Canadian market.

Appendix 8

RECOMMENDATIONS TO THE HONOURABLE GERALD REGAN
BY
THE TEXTILES AND CLOTHING ADVISORY COMMITTEE

The following outlines consensus recommendations to the Minister by the Textiles and Clothing Advisory Committee, with dissenting views and qualifying remarks identified where appropriate.

1. It is considered that the approach of a strong policy statement by the Minister regarding increasing imports from unrestrained sources would likely be ineffectual, and possibly counterproductive. Accordingly, it is recommended that no such policy statement be made until there is some specific action to be announced.

2. It is recommended that, in response to the current import crisis in the clothing sector, Canada impose global import quotas on clothing under Article XIX of the GATT. It should be noted that :

   a) the textile industry fully supports the request for Article XIX action on clothing imports and considers that, in addition to the clothing products identified in paragraph 3 below, the global import quotas should also cover hosiery of the type currently subject to restraint, as well as men's and boys' wool hosiery. Furthermore, the textile and apparel industries do not wish to see the protection provided for the textile industry under the existing bilateral arrangements discontinued or impaired. The textile and apparel industries consider it essential, if it is necessary to abrogate the existing bilateral arrangements in respect of other products, i.e. textiles, that Canada act simultaneously under Article 3.5 of the MFA to immediately re-establish these quotas. Further, Canada's right to introduce or impose new restraints on textiles when problems are identified should not be abrogated, annulled, rescinded or affected in any way;

b) due to the disruption of the trade which would result from such a significant change in the administration of border restrictions, both the Canadian Importers' Association and the retail sector representatives would prefer the maintenance of the current bilateral restraint arrangements on clothing to the imposition of import quotas. They have decided, however, in the overall interest of the Advisory Committee, not to oppose the consensus recommendation;

c) the Canadian Textile Importers' Association opposes in principle any quantitative restrictions on imports, but considers that, in view of the Government's policy of protection as well as its strongly stated intentions of dealing expeditiously and forcefully with emerging suppliers, this protection should be in the form of non-discriminatory global import quotas rather than bilateral restraints.

3. It is recommended that the import quota regime for clothing be based on the following :

a) the quota should apply to all clothing products currently on the import control list and to imports from all sources;

b) the quota level should be set at an initial overall annual level of 175 million units of clothing (i.e. approximately 12.5 per cent below the 1983 level of 200 million, but 16.6 per cent above the 1979-82 average of 150 million);

c) the quota should be subject to an annual growth rate of 3 per cent;

d) the overall quota should be broken into sub-quotas for product groups according to the following control categories (these are based generally on the current two-digit control items, plus some further breakdowns in order to isolate certain more sensitive products) :

- Outerwear (control item 32)
- Wool trousers and slacks, M/B, W/G, C/I (control item 37.1 plus parts of 37.5 and 37.9)
- Other trousers and slacks, M/B, W/G, C/I (control item 37.2 plus parts of 37.5 and 37.9)
- Shorts, overalls and coveralls (control items 37.3, 37.4 plus parts of 37.5 and 37.9)
- Blouses and shirts W/G, C/I and full fashion collar shirts, M/B, C/I (control items 39.1 and 39.5 plus parts of 39.4 and 39.9)
- T-shirts, M/B, W/G, C/I, (control item 39.2 plus parts of 39.4 and 39.9)
- Sweatshirts, M/B, W/G, C/I, (control item 39.3 plus parts of 39.4 and 39.9)
- Pyjamas, sleepwear, bathrobes and dressing gowns (control item 40)
- Raincoats (control item 41)
- Dresses, skirts, suits, coordinates (control items 42.1, 42.2, 42.3, 42.9 plus parts of 42.5)
- Athletic suits or sets, M/B, W/G, C/I (control item 42.4 plus part of 42.5)
- Foundation garments (control item 43)
- Swimsuits (control item 44)
- Underwear (control item 45)
- Outer-jackets, overcoats, topcoats, professional and shop coats (control item 46)
- Structured sportscoats, blazers and suits (control item 47)
- Sweaters, pullovers and cardigans, M/B (control item 50.1 plus part of 50.9)
- Sweaters, pullovers and cardigans, W/G (control item 50.2 plus part of 50.9)
- Sweaters, pullovers and cardigans, C/I (control item 50.3 plus part of 50.9)

e) the current provisions in the bilateral agreements allowing a "three to five" conversion for children's and infants' garments (sizes 0 to 6x) should be maintained under the import quota regime. No such provisions should be introduced, however, with regard to boys' and girls' garments;

f) the distribution of the overall quota among the various product categories should be based generally on the historical distribution pattern for imports, using a base period of either 1979-83 or 1981-83 or 1983 (the selection of base period to be made when the results of both approaches have been calculated for consideration);

g) in segmenting the quota among the product categories, special consideration should be given to certain sensitive products when a submission has been made to the Textiles and Clothing Board and there is a finding or agreement on the sensitive nature of these items. (Special consideration may be in the form of reduced relative quota levels).

It was agreed that trousers is a sensitive product and it was recommended that this product be accorded a lower relative quota level, reflecting average annual imports in the base period of 1979-82. It was noted that the Canadian Textiles Institute and the Canadian Apparel Manufacturers' Institute will also be jointly contemplating an early submission to the TCB on athletic suits;

h) the import quotas for each product category should be allocated to traditional Canadian importers on the basis of their historical import performance using a base period of 1979-83;

i) there should be no provisions for "switching" among the various product categories;

j) some provision should be made in the allocation process to take account of possible "hardship" cases, as well as new importers (this recommendation might be addressed more precisely in an advisory committee to deal with quota administration once a decision to impose the quotas had been taken). In this regard, the clothing manufacturers, while supporting this recommendation, wished to stress that allocation distributed in this way should be within the overall quota level of 175 million units;

k) recognizing the potential problem of "quota brokering" and "quota charges" in Canada, a system should be established for policing such practices and for monitoring the price impact of the quota regime.

No consensus recommendation has been achieved regarding the duration of the import quotas or their commencement date. The representatives of both the textile and apparel manufacturers recommend that the quotas be implemented on an immediate basis with their coverage retroactive to January 1, 1984. The retailer and importer representatives recommend that Canada serve notice immediately of an intent to terminate the bilateral agreements at the end of 1984, but that the unilateral import quotas not be put in place until January 1, 1985. With regard to the duration of the quotas, it is generally considered that this should be until the end of 1986 (i.e. the expiry date of the current bilaterals), but without prejudice as to future policy beyond that date. The Canadian Textile Importers' Association recommends, however, that the quotas be set initially for three years (i.e. January 1, 1985 - December 31, 1987).

4. With regard to the development of policy proposals for the longer term future of the textiles and clothing industry, including in respect of industry restructuring, it is recommended that this be addressed in the report of the Textile and Clothing Task Force recently established by the Honourable Ed Lumley. In this regard, the Canadian Textile Importers' Association, and the Canadian Importers' Association underlined their view that the Task Force should not be regarded as the exclusive forum for proposals on industry rectructuring and that the Advisory Committee is also an appropriate forum for a discussion of such issues.