

THE
CANADIAN
INTERNATIONAL
TRADE TRIBUNAL



AN INQUIRY INTO TEXTILE TARIFFS

VOLUME 2
DETAILED RECOMMENDATIONS
AND BACKGROUND PAPERS

February 1990

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**AN INQUIRY
INTO
TEXTILE TARIFFS**

**VOLUME 2: DETAILED RECOMMENDATIONS
AND BACKGROUND PAPERS**

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INTRODUCTION

This volume is divided into two parts. Part A provides additional information on our tariff recommendations. Section I contains the Tribunal's line-by-line tariff recommendations for each HS eight-digit tariff item. Section II sets out in greater detail how specific and compound duties were converted to ad valorem equivalents. Section III contains the full lists of specific proposals made to the Tribunal for the elimination of tariffs or the accelerated reduction of tariffs under the FTA. These lists are preceded by additional comments on the Tribunal's consideration of these specific proposals.

Part B covers a variety of issues and factors addressed by the Tribunal along with basic information on the background and organization of the inquiry. Section I provides a summary of the research program, including synopses of all consultant reports and of the main staff research papers. Section II contains a series of background notes dealing essentially with technical issues such as the development of trade data and coverage of the CITT questionnaire survey. Some of these issues were raised during the hearings and others came up in the Tribunal's review of the facts. It also contains the statistical series used in figures appearing in the main report along with additional statistical tables referred to in the main report. Finally, Section III provides lists of counsel, witnesses, submissions and exhibits submitted as evidence and a full list of staff research papers.

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PART A: DETAILED RECOMMENDATIONS

I — TRIBUNAL'S LINE-BY-LINE TARIFF RECOMMENDATIONS

In addition to current and recommended MFN rates for Canadian HS tariff items, a corresponding US MFN rate is shown for reference. This rate is the HS six-digit subheading trade weighted average of US eight-digit tariff items making up the HS subheading.

US ad valorem equivalents for all specific rates and compound rates were provided by the office of the U.S. Trade Representative.

I - TRIBUNAL'S LINE-BY-LINE TARIFF RECOMMENDATIONS

Tariff Item	Description of Goods	Current MFN	Proposed MFN	US MFN
5001.00.00	Silk-worm cocoons suitable for reeling.	0.0	0.0	0.0
5002.00.00	Raw silk (not thrown).	0.0	0.0	0.0
50.03	Silk waste (including cocoons unsuitable for reeling, yarn waste and garnetted stock).			
5003.10.00	-Not carded or combed	0.0	0.0	0.0
5003.90.00	-Other	0.0	0.0	5.5
5004.00.00	Silk yarn (other than yarn spun from silk waste), not put up for retail sale.	0.0	0.0	5.0
5005.00.00	Yarn spun from silk waste, not put up for retail sale.	0.0	0.0	5.0
5006.00.00	Silk yarn and yarn spun from silk waste, put up for retail sale; silk-worm gut.	0.0	0.0	5.0
50.07	Woven fabrics of silk or of silk waste.			
5007.10.00	-Fabrics of noil silk	0.0	0.0	5.6
5007.20.00	-Other fabrics, containing 85% or more by weight of silk or of silk waste other than noil silk	0.0	0.0	5.0
5007.90.00	-Other fabrics	0.0	0.0	7.6

C50E/FEB.5/90

Tariff Item	Description of Goods	Current MFN	Proposed MFN	US MFN
51.01	Wool, not carded or combed.			
	-Greasy, including fleece-washed wool:			
5101.11.00	--Shorn wool	0.0	0.0	4.3
5101.19.00	--Other	0.0	0.0	2.6
	-Degreased, not carbonized:			
5101.21.00	--Shorn wool	0.0	0.0	4.9
5101.29.00	--Other	0.0	0.0	4.8
5101.30.00	-Carbonized	0.0	0.0	5.1
51.02	Fine or coarse animal hair, not carded or combed.			
5102.10.00	-Fine animal hair	0.0	0.0	2.7
5102.20.00	-Coarse animal hair	0.0	0.0	0.0
51.03	Waste of wool or of fine or coarse animal hair, including yarn waste but excluding garnetted stock.			
5103.10.00	-Nolls of wool or of fine animal hair	0.0	0.0	1.9
5103.20.00	-Other waste of wool or of fine animal hair	0.0	0.0	2.2
5103.30.00	-Waste of coarse animal hair	0.0	0.0	11.0
5104.00.00	Garnetted stock of wool or of fine or coarse animal hair.	0.0	0.0	5.0
51.05	Wool and fine or coarse animal hair, carded or combed (including combed wool in fragments).			
5105.10	-Carded wool			
5105.10.10	---Slivers	0.0	0.0	7.4
5105.10.90	---Other	12.5	5.0	7.4
	-Wool tops and other combed wool:			
5105.21.00	--Combed wool in fragments	0.0	0.0	7.4
5105.29	--Other			
5105.29.10	---Slivers (including tops)	0.0	0.0	7.4
5105.29.90	---Other	12.5	5.0	7.4
5105.30	-Fine animal hair, carded or combed			
5105.30.10	---Slivers (including tops)	0.0	0.0	7.4
5105.30.90	---Other	9.0	5.0	7.4
5105.40	-Coarse animal hair, carded or combed			
5105.40.10	---Slivers (including tops)	0.0	0.0	3.7
5105.40.90	---Other	12.5	5.0	3.7

Tariff Item	Description of Goods	Current MFN	Proposed MFN	US MFN
51.06	Yarn of carded wool, not put up for retail sale.			
5106.10.00	-Containing 85% or more by weight of wool	12.5	10.0	9.0
5106.20.00	-Containing less than 85% by weight of wool	12.5	10.0	9.0
51.07	Yarn of combed wool, not put up for retail sale.			
5107.10.00	-Containing 85% or more by weight of wool	12.5	10.0	9.0
5107.20.00	-Containing less than 85% by weight of wool	12.5	10.0	9.0
51.08	Yarn of fine animal hair (carded or combed), not put up for retail sale.			
5108.10	-Carded			
5108.10.10	---Containing 50% or more by weight of hair	5.5	5.5	8.6
5108.10.20	---Containing less than 50% by weight of hair	12.5	10.0	8.6
5108.20	-Combed			
5108.20.10	---Containing 50% or more by weight of hair	5.5	5.5	8.5
5108.20.20	---Containing less than 50% by weight of hair	12.5	10.0	8.5
51.09	Yarn of wool or of fine animal hair, put up for retail sale.			
5109.10.00	-Containing 85% or more by weight of wool or of fine animal hair	12.5	10.0	8.6
5109.90.00	-Other	12.5	10.0	8.8
5110.00.00	Yarn of coarse animal hair or of horsehair (including gimped horsehair yarn), whether or not put up for retail sale.	5.5	5.5	3.7
51.11	Woven fabrics of carded wool or of carded fine animal hair.			
	-Containing 85% or more by weight of wool or of fine animal hair:			
5111.11	--Of a weight not exceeding 300 g/m(2)			
5111.11.10	---In the grey or unfinished condition, of a weight not exceeding 135 g/m(2)	12.5	12.5	36.0
5111.11.90	---Other	11.8	11.8	36.0

Tariff Item	Description of Goods	Current MFN	Proposed MFN	US MFN
5111.19.00	--Other	25.0	16.0	22.6
5111.20	-Other, mixed mainly or solely with man-made filaments			
5111.20.10	---In the grey or unfinished condition, of a weight not exceeding 135 g/m(2)	12.5	12.5	9.4
	---Other:			
5111.20.91	----Of a weight not exceeding 300 g/m(2)	11.8	11.8	9.4
5111.20.92	----Of a weight exceeding 300 g/m(2)	25.0	16.0	9.4
5111.30	-Other, mixed mainly or solely with man-made staple fibres			
5111.30.10	---In the grey or unfinished condition, of a weight not exceeding 135 g/m(2)	12.5	12.5	9.4
	---Other:			
5111.30.91	----Of a weight not exceeding 300 g/m(2)	11.8	11.8	9.4
5111.30.92	----Of a weight exceeding 300 g/m(2)	25.0	16.0	9.4
5111.90	-Other			
5111.90.10	---In the grey or unfinished condition, of a weight not exceeding 135 g/m(2)	12.5	12.5	9.6
	---Other:			
5111.90.91	----Of a weight not exceeding 300 g/m(2)	11.8	11.8	9.6
5111.90.92	----Of a weight exceeding 300 g/m(2)	25.0	16.0	9.6
51.12	Woven fabrics of combed wool or of combed fine animal hair. -Containing 85% or more by weight of wool or of fine animal hair:			
5112.11	--Of a weight not exceeding 200 g/m(2)			
5112.11.10	---In the grey or unfinished condition, of a weight not exceeding 135 g/m(2)	12.5	12.5	36.1
5112.11.90	---Other	11.8	11.8	36.1
5112.19	--Other			
5112.19.10	---Billiard cloth	20.0	16.0	30.5
	---Other:			
5112.19.91	----Of a weight exceeding 200 g/m(2) but not exceeding 300 g/m(2)	11.8	11.8	30.5
5112.19.92	----Of a weight exceeding 300 g/m(2)	25.0	16.0	30.5
5112.20	-Other, mixed mainly or solely with man-made filaments			
5112.20.10	---In the grey or unfinished condition, of a weight not exceeding 135 g/m(2)	12.5	12.5	41.1
	---Other:			
5112.20.91	----Of a weight not exceeding 300 g/m(2)	11.8	11.8	41.1
5112.20.92	----Of a weight exceeding 300 g/m(2)	25.0	16.0	41.1
5112.30	-Other, mixed mainly or solely with man-made staple fibres			
5112.30.10	---Billiard cloth	20.0	16.0	40.0
5112.30.20	---Woven fabrics in the grey or unfinished condition, of a weight not exceeding 135 g/m(2)	12.5	12.5	40.0
	---Other:			
5112.30.91	----Of a weight not exceeding 300 g/m(2)	11.8	11.8	40.0

Tariff Item	Description of Goods	Current MFN	Proposed MFN	US MFN
5112.30.92	-----Of a weight exceeding 300 g/m(2)	25.0	16.0	40.0
5112.90	-Other:			
5112.90.10	----In the grey or unfinished condition, of a weight not exceeding 135 g/m(2)	12.5	12.5	11.8
	----Other:			
5112.90.91	-----Of a weight not exceeding 300 g/m(2)	11.8	11.8	11.8
5112.90.92	-----Of a weight exceeding 300 g/m(2)	25.0	16.0	11.8
5113.00.00	Woven fabrics of coarse animal hair or of horsehair.	25.0	16.0	5.3

C51E/FEB.5/90

Tariff Item	Description of Goods	Current MFN	Proposed MFN	US MFN
5201.00.00	Cotton, not carded or combed.	0.0	0.0	1.6
52.02	Cotton waste (including yarn waste and garnetted stock).			
5202.10.00	-Yarn waste (including thread waste)	0.0	0.0	0.0
	-Other:			
5202.91.00	--Garnetted stock	0.0	0.0	5.0
5202.99.00	--Other	0.0	0.0	0.0
5203.00	Cotton, carded or combed.			
5203.00.10	---Slivers	0.0	0.0	5.0
5203.00.90	---Other	12.5	5.0	5.0
52.04	Cotton sewing thread, whether or not put up for retail sale.			
	-Not put up for retail sale:			
5204.11.00	--Containing 85% or more by weight of cotton	12.5	10.0	5.0
5204.19.00	--Other	12.5	10.0	5.0
5204.20.00	-Put up for retail sale	12.5	10.0	5.0
52.05	Cotton yarn (other than sewing thread), containing 85% or more by weight of cotton, not put up for retail sale.			
	-Single yarn, of uncombed fibres:			
5205.11.00	--Measuring 714.29 decitex or more (not exceeding 14 metric number)	12.5	10.0	4.4
5205.12.00	--Measuring less than 714.29 decitex but not less than 232.56 decitex (exceeding 14 metric number but not exceeding 43 metric number)	12.5	10.0	5.3
5205.13.00	--Measuring less than 232.56 decitex but not less than 192.31 decitex (exceeding 43 metric number but not exceeding 52 metric number)	12.5	10.0	6.5
5205.14.00	--Measuring less than 192.31 decitex but not less than 125 decitex (exceeding 52 metric number but not exceeding 80 metric number)	12.5	10.0	7.8
5205.15.00	--Measuring less than 125 decitex (exceeding 80 metric number)	12.5	10.0	11.0
	-Single yarn, of combed fibres:			
5205.21.00	--Measuring 714.29 decitex or more (not exceeding 14 metric number)	12.5	10.0	5.8
5205.22.00	--Measuring less than 714.29 decitex but not less than 232.56 decitex (exceeding 14 metric number but not exceeding 43 metric number)	12.5	10.0	7.3

Tariff Item	Description of Goods	Current MFN	Proposed MFN	US MFN
5205.23.00	--Measuring less than 232.56 decitex but not less than 192.31 decitex (exceeding 43 metric number but not exceeding 52 metric number)	12.5	10.0	8.6
5205.24.00	--Measuring less than 192.31 decitex but not less than 125 decitex (exceeding 52 metric number but not exceeding 80 metric number)	12.5	10.0	9.9
5205.25.00	--Measuring less than 125 decitex (exceeding 80 metric number)	12.5	10.0	12.0
	-Multiple (folded) or cabled yarn, of uncombed fibres:			
5205.31.00	--Measuring per single yarn 714.29 decitex or more (not exceeding 14 metric number per single yarn)	12.5	10.0	5.8
5205.32.00	--Measuring per single yarn less than 714.29 decitex but not less than 232.56 decitex (exceeding 14 metric number but not exceeding 43 metric number per single yarn)	12.5	10.0	7.3
5205.33.00	--Measuring per single yarn less than 232.56 decitex but not less than 192.31 decitex (exceeding 43 metric number but not exceeding 52 metric number per single yarn)	12.5	10.0	8.6
5205.34.00	--Measuring per single yarn less than 192.31 decitex but not less than 125 decitex (exceeding 52 metric number but not exceeding 80 metric number per single yarn)	12.5	10.0	9.9
5205.35.00	--Measuring per single yarn less than 125 decitex (exceeding 80 metric number per single yarn)	12.5	10.0	12.0
	-Multiple (folded) or cabled yarn, of combed fibres:			
5205.41.00	--Measuring per single yarn 714.29 decitex or more (not exceeding 14 metric number per single yarn)	12.5	10.0	5.8

Tariff Item	Description of Goods	Current MFN	Proposed MFN	US MFN
5205.42.00	--Measuring per single yarn less than 714.29 decitex but not less than 232.56 decitex (exceeding 14 metric number but not exceeding 43 metric number per single yarn)	12.5	10.0	7.3
5205.43.00	--Measuring per single yarn less than 232.56 decitex but not less than 192.31 decitex (exceeding 43 metric number but not exceeding 52 metric number per single yarn)	12.5	10.0	8.6
5205.44.00	--Measuring per single yarn less than 192.31 decitex but not less than 125 decitex (exceeding 52 metric number but not exceeding 80 metric number per single yarn)	12.5	10.0	9.9
5205.45	--Measuring per single yarn less than 125 decitex (exceeding 80 metric number per single yarn)			
5205.45.10	---Solely of cotton, mercerized, measuring per single yarn 80 decitex or less (exceeding 124.9 metric number per single yarn)	0.0	0.0	12.0
5205.45.90	---Other	12.5	10.0	12.0
52.06	Cotton yarn (other than sewing thread), containing less than 85% by weight of cotton, not put up for retail sale.			
	-Single yarn, of uncombed fibres:			
5206.11.00	--Measuring 714.29 decitex or more (not exceeding 14 metric number)	12.5	10.0	10.8
5206.12.00	--Measuring less than 714.29 decitex but not less than 232.56 decitex (exceeding 14 metric number but not exceeding 43 metric number)	12.5	10.0	10.8
5206.13.00	--Measuring less than 232.56 decitex but not less than 192.31 decitex (exceeding 43 metric number but not exceeding 52 metric number)	12.5	10.0	10.8
5206.14.00	--Measuring less than 192.31 decitex but not less than 125 decitex (exceeding 52 metric number but not exceeding 80 metric number)	12.5	10.0	10.8
5206.15.00	--Measuring less than 125 decitex (exceeding 80 metric number)	12.5	10.0	10.8
	-Single yarn, of combed fibres:			
5206.21.00	--Measuring 714.29 decitex or more (not exceeding 14 metric number)	12.5	10.0	10.8
5206.22.00	--Measuring less than 714.29 decitex but not less than 232.56 decitex (exceeding 14 metric number but not exceeding 43 metric number)	12.5	10.0	10.8

Tariff Item	Description of Goods	Current MFN	Proposed MFN	US MFN
5206.23.00	--Measuring less than 232.56 decitex but not less than 192.31 decitex (exceeding 43 metric number but not exceeding 52 metric number)	12.5	10.0	10.8
5206.24.00	--Measuring less than 192.31 decitex but not less than 125 decitex (exceeding 52 metric number but not exceeding 80 metric number)	12.5	10.0	10.8
5206.25.00	--Measuring less than 125 decitex (exceeding 80 metric number)	12.5	10.0	10.8
	--Multiple (folded) or cabled yarn, of uncombed fibres:			
5206.31.00	--Measuring per single yarn 714.29 decitex or more (not exceeding 14 metric number per single yarn)	12.5	10.0	10.8
5206.32.00	--Measuring per single yarn less than 714.29 decitex but not less than 232.56 decitex (exceeding 14 metric number but not exceeding 43 metric number per single yarn)	12.5	10.0	10.8
5206.33.00	--Measuring per single yarn less than 232.56 decitex but not less than 192.31 decitex (exceeding 43 metric number but not exceeding 52 metric number per single yarn)	12.5	10.0	10.8
5206.34.00	--Measuring per single yarn less than 192.31 decitex but not less than 125 decitex (exceeding 52 metric number but not exceeding 80 metric number per single yarn)	12.5	10.0	10.8
5206.35.00	--Measuring per single yarn less than 125 decitex (exceeding 80 metric number per single yarn)	12.5	10.0	10.8
	--Multiple (folded) or cabled yarn, of combed fibres:			
5206.41.00	--Measuring per single yarn 714.29 decitex or more (not exceeding 14 metric number per single yarn)	12.5	10.0	10.8
5206.42.00	--Measuring per single yarn less than 714.29 decitex but not less than 232.56 decitex (exceeding 14 metric number but not exceeding 43 metric number per single yarn)	12.5	10.0	10.8
5206.43.00	--Measuring per single yarn less than 232.56 decitex but not less than 192.31 decitex (exceeding 43 metric number but not exceeding 52 metric number per single yarn)	12.5	10.0	10.8

Tariff Item	Description of Goods	Current MFN	Proposed MFN	US MFN
5206.44.00	--Measuring per single yarn less than 192.31 decitex but not less than 125 decitex (exceeding 52 metric number but not exceeding 80 metric number per single yarn)	12.5	10.0	10.8
5206.45.00	--Measuring per single yarn less than 125 decitex (exceeding 80 metric number per single yarn)	12.5	10.0	10.8
52.07	Cotton yarn (other than sewing thread) put up for retail sale.			
5207.10.00	-Containing 85% or more by weight of cotton	12.5	10.0	5.0
5207.90.00	-Other	12.5	10.0	5.0
52.08	Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing not more than 200 g/m(2).			
	-Unbleached:			
5208.11	--Plain weave, weighing not more than 100 g/m(2)			
5208.11.10	---Solely of cotton, weighing not more than 40 g/m(2); solely of cotton yarns measuring per single yarn 60 decitex or less (exceeding 166.65 metric number per single yarn)	0.0	0.0	8.7
5208.11.90	---Other	15.0	15.0	8.7
5208.12.00	--Plain weave, weighing more than 100 g/m(2)	15.0	15.0	7.8
5208.13.00	--3-thread or 4-thread twill, including cross twill	15.0	15.0	7.9
5208.19.00	--Other fabrics	15.0	15.0	8.1
	-Bleached:			
5208.21.00	--Plain weave, weighing not more than 100 g/m(2)	17.5	16.0	11.1
5208.22	--Plain weave, weighing more than 100 g/m(2)			
5208.22.10	---Solely of cotton, measuring per single yarn 60 decitex or less (exceeding 166.65 metric number per single yarn)	0.0	0.0	10.2
5208.22.90	---Other	17.5	16.0	10.2
5208.23.00	--3-thread or 4-thread twill, including cross twill	17.5	16.0	9.1
5208.29.00	--Other fabrics	17.5	16.0	11.9
	-Dyed:			
5208.31.00	--Plain weave, weighing not more than 100 g/m(2)	17.5	16.0	11.2

Tariff Item	Description of Goods	Current MFN	Proposed MFN	US MFN
5208.32	--Plain weave, weighing more than 100 g/m(2)			
5208.32.10	---Solely of cotton, measuring per single yarn 60 decitex or less (exceeding 166.65 metric number per single yarn)	0.0	0.0	10.5
5208.32.90	---Other	17.5	16.0	10.5
5208.33.00	--3-thread or 4-thread twill, including cross twill	17.5	16.0	10.3
5208.39.00	--Other fabrics	17.5	16.0	11.4
	-Of yarns of different colours:			
5208.41.00	--Plain weave, weighing not more than 100 g/m(2)	17.5	16.0	11.9
5208.42	--Plain weave, weighing more than 100 g/m(2)			
5208.42.10	---Solely of cotton, measuring per single yarn 60 decitex or less (exceeding 166.65 metric number per single yarn)	0.0	0.0	11.7
5208.42.90	---Other	17.5	16.0	11.7
5208.43.00	--3-thread or 4-thread twill, including cross twill	17.5	16.0	10.3
5208.49.00	--Other fabrics	17.5	16.0	13.1
	-Printed:			
5208.51.00	--Plain weave, weighing not more than 100 g/m(2)	17.5	16.0	9.1
5208.52	--Plain weave, weighing more than 100 g/m(2)			
5208.52.10	---Solely of cotton, measuring per single yarn 60 decitex or less (exceeding 166.65 metric number per single yarn)	0.0	0.0	9.2
5208.52.90	---Other	17.5	16.0	9.2
5208.53.00	--3-thread or 4-thread twill, including cross twill	17.5	16.0	10.3
5208.59.00	--Other fabrics	17.5	16.0	11.1
52.09	Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing more than 200 g/m(2). -Unbleached:			
5209.11.00	--Plain weave	15.0	15.0	6.5
5209.12.00	--3-thread or 4-thread twill, including cross twill	15.0	15.0	6.5
5209.19.00	--Other fabrics	15.0	15.0	6.5
	-Bleached:			
5209.21.00	--Plain weave	17.5	16.0	7.7
5209.22.00	--3-thread or 4-thread twill, including cross twill	17.5	16.0	7.7
5209.29.00	--Other fabrics	17.5	16.0	7.7
	-Dyed:			
5209.31.00	--Plain weave	17.5	16.0	8.7

Tariff Item	Description of Goods	Current MFN	Proposed MFN	US MFN
5209.32.00	--3-thread or 4-thread twill, including cross twill	17.5	16.0	8.9
5209.39.00	--Other fabrics	17.5	16.0	8.9
	-Of yarns of different colours:			
5209.41.00	--Plain weave	17.5	16.0	8.5
5209.42.00	--Denim	17.5	16.0	8.9
5209.43.00	--Other fabrics of 3-thread or 4-thread twill, including cross twill	17.5	16.0	8.9
5209.49.00	--Other fabrics	17.5	16.0	8.9
	-Printed:			
5209.51.00	--Plain weave	17.5	16.0	6.9
5209.52.00	--3-thread or 4-thread twill, including cross twill	17.5	16.0	8.9
5209.59.00	--Other fabrics	17.5	16.0	8.9
52.10	Woven fabrics of cotton, containing less than 85% by weight of cotton, mixed mainly or solely with man-made fibres, weighing not more than 200 g/m(2).			
	-Unbleached:			
5210.11.00	--Plain weave	25.0	16.0	10.0
5210.12.00	--3-thread or 4-thread twill, including cross twill	25.0	16.0	9.1
5210.19.00	--Other fabrics	25.0	16.0	10.3
	-Bleached:			
5210.21.00	--Plain weave	25.0	16.0	11.2
5210.22.00	--3-thread or 4-thread twill, including cross twill	25.0	16.0	10.3
5210.29.00	--Other fabrics	25.0	16.0	10.5
	-Dyed:			
5210.31.00	--Plain weave	25.0	16.0	12.9
5210.32.00	--3-thread or 4-thread twill, including cross twill	25.0	16.0	11.1
5210.39.00	--Other fabrics	25.0	16.0	12.4
	-Of yarns of different colours:			
5210.41.00	--Plain weave	25.0	16.0	13.9
5210.42.00	--3-thread or 4-thread twill, including cross twill	25.0	16.0	11.1
5210.49.00	--Other fabrics	25.0	16.0	13.6
	-Printed:			
5210.51.00	--Plain weave	25.0	16.0	12.6
5210.52.00	--3-thread or 4-thread twill, including cross twill	25.0	16.0	11.1
5210.59.00	--Other fabrics	25.0	16.0	12.4

Tariff Item	Description of Goods	Current MFN	Proposed MFN	US MFN
52.11	Woven fabrics of cotton, containing less than 85% by weight of cotton, mixed mainly or solely with man-made fibres, weighing more than 200 g/m(2).			
	-Unbleached:			
5211.11.00	--Plain weave	25.0	16.0	7.7
5211.12.00	--3-thread or 4-thread twill, including cross twill	25.0	16.0	7.7
5211.19.00	--Other fabrics	25.0	16.0	7.7
	-Bleached:			
5211.21.00	--Plain weave	25.0	16.0	8.9
5211.22.00	--3-thread or 4-thread twill, including cross twill	25.0	16.0	8.9
5211.29.00	--Other fabrics	25.0	16.0	8.9
	-Dyed:			
5211.31.00	--Plain weave	25.0	16.0	9.7
5211.32.00	--3-thread or 4-thread twill, including cross twill	25.0	16.0	9.7
5211.39.00	--Other fabrics	25.0	16.0	9.7
	-Of yarns of different colours:			
5211.41.00	--Plain weave	25.0	16.0	9.7
5211.42.00	--Denim	25.0	16.0	9.7
5211.43.00	--Other fabrics of 3-thread or 4-thread twill, including cross twill	25.0	16.0	9.7
5211.49.00	--Other fabrics	25.0	16.0	9.7
	-Printed:			
5211.51.00	--Plain weave	25.0	16.0	9.7
5211.52.00	--3-thread or 4-thread twill, including cross twill	25.0	16.0	9.7
5211.59.00	--Other fabrics	25.0	16.0	9.7
52.12	Other woven fabrics of cotton.			
	-Weighing not more than 200 g/m(2):			
5212.11	--Unbleached			
5212.11.10	---Mixed mainly or solely with silk	11.3	11.3	7.8
5212.11.20	---Mixed mainly or solely with wool or fine animal hair	25.0	16.0	7.8
5212.11.90	---Other	20.4	16.0	7.8
5212.12	--Bleached			
5212.12.10	---Mixed mainly or solely with silk	11.3	11.3	7.8
5212.12.20	---Mixed mainly or solely with wool or fine animal hair	25.0	16.0	7.8
5212.12.90	---Other	20.4	16.0	7.8
5212.13	--Dyed			
5212.13.10	---Mixed mainly or solely with silk	11.3	11.3	7.8
5212.13.20	---Mixed mainly or solely with wool or fine animal hair	25.0	16.0	7.8
5212.13.90	---Other	20.4	16.0	7.8
5212.14	--Of yarns of different colours			
5212.14.10	---Mixed mainly or solely with silk	11.3	11.3	7.8
5212.14.20	---Mixed mainly or solely with wool or fine animal hair	25.0	16.0	7.8
5212.14.90	---Other	20.4	16.0	7.8

Tariff Item	Description of Goods	Current MFN	Proposed MFN	US MFN
5212.15	--Printed			
5212.15.10	---Mixed mainly or solely with silk	11.3	11.3	7.8
5212.15.20	---Mixed mainly or solely with wool or fine animal hair	25.0	16.0	7.8
5212.15.90	---Other	20.4	16.0	7.8
	-Weighing more than 200 g/m(2):			
5212.21	--Unbleached			
5212.21.10	---Mixed mainly or solely with silk	11.3	11.3	7.8
5212.21.20	---Mixed mainly or solely with wool or fine animal hair	25.0	16.0	7.8
5212.21.90	---Other	20.4	16.0	7.8
5212.22	--Bleached			
5212.22.10	---Mixed mainly or solely with silk	11.3	11.3	7.8
5212.22.20	---Mixed mainly or solely with wool or fine animal hair	25.0	16.0	7.8
5212.22.90	---Other	20.4	16.0	7.8
5212.23	--Dyed			
5212.23.10	---Mixed mainly or solely with silk	11.3	11.3	7.8
5212.23.20	---Mixed mainly or solely with wool or fine animal hair	25.0	16.0	7.8
5212.23.90	---Other	20.4	16.0	7.8
5212.24	--Of yarns of different colours			
5212.24.10	---Mixed mainly or solely with silk	11.3	11.3	7.8
5212.24.20	---Mixed mainly or solely with wool or fine animal hair	25.0	16.0	7.8
5212.24.90	---Other	20.4	16.0	7.8
5212.25	--Printed			
5212.25.10	---Mixed mainly or solely with silk	11.3	11.3	7.8
5212.25.20	---Mixed mainly or solely with wool or fine animal hair	25.0	16.0	7.8
5212.25.90	---Other	20.4	16.0	7.8

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Tariff Item	Description of Goods	Current MFN	Proposed MFN	US MFN
53.01	Flax, raw or processed but not spun; flax tow and waste (including yarn waste and garnetted stock).			
5301.10.00	-Flax, raw or retted	0.0	0.0	0.0
	-Flax, broken, scutched, hackled or otherwise processed, but not spun:			
5301.21.00	--Broken or scutched	0.0	0.0	0.2
5301.29.00	--Other	0.0	0.0	6.0
5301.30.00	-Flax tow and waste	0.0	0.0	0.0
53.02	True hemp (<i>Cannabis sativa</i> L.), raw or processed but not spun; tow and waste of true hemp (including yarn waste and garnetted stock).			
5302.10.00	-True hemp, raw or retted	0.0	0.0	0.0
5302.90.00	-Other	0.0	0.0	0.0
53.03	Jute and other textile bast fibres (excluding flax, true hemp and ramie), raw or processed but not spun; tow and waste of these fibres (including yarn waste and garnetted stock).			
5303.10.00	-Jute and other textile bast fibres, raw or retted	0.0	0.0	0.0
5303.90.00	-Other	0.0	0.0	0.0
53.04	Sisal and other textile fibres of the genus <i>Agave</i> , raw or processed but not spun; tow and waste of these fibres (including yarn waste and garnetted stock).			
5304.10.00	-Sisal and other textile fibres of the genus <i>Agave</i> , raw	0.0	0.0	0.0
5304.90.00	-Other	0.0	0.0	0.0
53.05	Coconut, abaca (<i>Manila hemp</i> or <i>Musa textilis</i> Nee), ramie and other vegetable textile fibres, not elsewhere specified or included, raw or processed but not spun; tow, noils and waste of these fibres (including yarn waste and garnetted stock).			
	-Of coconut (coir):			
5305.11.00	--Raw	0.0	0.0	0.0
5305.19.00	--Other	0.0	0.0	0.0
	-Of abaca:			
5305.21.00	--Raw	0.0	0.0	0.0
5305.29.00	--Other	0.0	0.0	0.0
	-Other:			
5305.91.00	--Raw	0.0	0.0	0.0
5305.99.00	--Other	0.0	0.0	0.0

Tariff Item	Description of Goods	Current MFN	Proposed MFN	US MFN
53.06	Flax yarn.			
5306.10	-Single			
5306.10.10	---Not containing man-made fibres	0.0	0.0	6.6
5306.10.20	---Containing man-made fibres	12.5	10.0	6.6
5306.20	-Multiple (folded) or cabled			
5306.20.10	---Not containing man-made fibres	0.0	0.0	6.0
5306.20.20	---Containing man-made fibres	12.5	10.0	6.0
53.07	Yarn of jute or of other textile bast fibres of heading No. 53.03.			
5307.10.00	-Single	10.2	10.0	3.0
5307.20.00	-Multiple (folded) or cabled	15.0	10.0	4.0
53.08	Yarn of other vegetable textile fibres; paper yarn.			
5308.10.00	-Coir yarn	0.0	0.0	0.0
5308.20.00	-True hemp yarn	9.2	9.2	6.5
5308.30.00	-Paper yarn	6.8	6.8	5.3
5308.90	-Other			
5308.90.10	---Not containing man-made fibres	10.3	10.0	4.0
5308.90.20	---Containing man-made fibres	12.5	10.0	4.0
53.09	Woven fabrics of flax.			
	-Containing 85% or more by weight of flax:			
5309.11.00	--Unbleached or bleached	11.3	11.3	3.0
5309.19.00	--Other	11.3	11.3	3.0
	-Containing less than 85% by weight of flax:			
5309.21.00	--Unbleached or bleached	21.4	16.0	3.7
5309.29.00	--Other	21.4	16.0	3.7
53.10	Woven fabrics of jute or of other textile bast fibres of heading No. 53.03.			
5310.10	-Unbleached			
5310.10.10	---Solely of jute	0.0	0.0	0.0
5310.10.90	---Other	17.5	16.0	0.0
5310.90	-Other			
5310.90.10	---Solely of jute	0.0	0.0	1.0
5310.90.90	---Other	17.5	16.0	1.0
5311.00.00	Woven fabrics of other vegetable textile fibres; woven fabrics of paper yarn.	13.5	13.5	7.0

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Tariff Item	Description of Goods	Current MFN	Proposed MFN	US MFN
54.01	Sewing thread of man-made filaments, whether or not put up for retail sale.			
5401.10.00	-Of synthetic filaments	12.5	10.0	13.0
5401.20.00	-Of artificial filaments	12.5	10.0	13.0
54.02	Synthetic filament yarn (other than sewing thread), not put up for retail sale, including synthetic monofilament of less than 67 decitex.			
5402.10.00	-High tenacity yarn of nylon or other polyamides	12.5	10.0	10.0
5402.20.00	-High tenacity yarn of polyesters	12.5	10.0	10.0
	-Textured yarn:			
5402.31.00	--Of nylon or other polyamides, measuring per single yarn not more than 50 tex	12.5	10.0	9.6
5402.32.00	--Of nylon or other polyamides, measuring per single yarn more than 50 tex	12.5	10.0	10.0
5402.33.00	--Of polyesters	12.5	10.0	10.0
5402.39.00	--Other	12.5	10.0	10.0
	-Other yarn, single, untwisted or with a twist not exceeding 50 turns per metre:			
5402.41.00	--Of nylon or other polyamides	12.5	10.0	10.0
5402.42.00	--Of polyesters, partially oriented	12.5	10.0	10.0
5402.43.00	--Of polyesters, other	12.5	10.0	10.0
5402.49.00	--Other	12.5	10.0	10.0
	-Other yarn, single, with a twist exceeding 50 turns per metre:			
5402.51.00	--Of nylon or other polyamides	12.5	10.0	10.0
5402.52.00	--Of polyesters	12.5	10.0	10.0
5402.59.00	--Other	12.5	10.0	10.0
	-Other yarn, multiple (folded) or cabled:			
5402.61.00	--Of nylon or other polyamides	12.5	10.0	9.1
5402.62.00	--Of polyesters	12.5	10.0	9.1
5402.69.00	--Other	12.5	10.0	9.1
54.03	Artificial filament yarn (other than sewing thread), not put up for retail sale, including artificial monofilament of less than 67 decitex.			
5403.10.00	-High tenacity yarn of viscose rayon	9.9	9.9	9.8
5403.20.00	-Textured yarn	10.9	10.0	10.0
	-Other yarn, single:			
5403.31.00	--Of viscose rayon, untwisted or with a twist not exceeding 120 turns per metre	9.9	9.9	10.0
5403.32.00	--Of viscose rayon, with a twist exceeding 120 turns per metre	9.9	9.9	10.0

Tariff Item	Description of Goods	Current MFN	Proposed MFN	US MFN
5403.33.00	--Of cellulose acetate	12.5	10.0	10.0
5403.39.00	--Other	12.5	10.0	10.0
	-Other yarn, multiple (folded) or cabled:			
5403.41.00	--Of viscose rayon	9.9	9.9	9.1
5403.42.00	--Of cellulose acetate	12.5	10.0	9.1
5403.49.00	--Other	12.5	10.0	9.1
54.04	Synthetic monofilament of 67 decitex or more and of which no cross-sectional dimension exceeds 1 mm; strip and the like (for example, artificial straw) of synthetic textile materials of an apparent width not exceeding 5 mm.			
5404.10.00	-Monofilament	12.5	10.0	5.9
5404.90.00	-Other	12.5	10.0	5.1
5405.00.00	Artificial monofilament of 67 decitex or more and of which no cross-sectional dimension exceeds 1 mm; strip and the like (for example, artificial straw) of artificial textile materials of an apparent width not exceeding 5 mm.	12.5	10.0	6.7
54.06	Man-made filament yarn (other than sewing thread), put up for retail sale.			
5406.10.00	-Synthetic filament yarn	12.5	10.0	13.0
5406.20.00	-Artificial filament yarn	12.5	10.0	13.0
54.07	Woven fabrics of synthetic filament yarn, including woven fabrics obtained from materials of heading No. 54.04.			
5407.10.00	-Woven fabrics obtained from high tenacity yarn of nylon or other polyamides, or of polyesters	25.0	16.0	17.0
5407.20.00	-Woven fabrics obtained from strip or the like	25.0	16.0	17.0
5407.30.00	-Fabrics specified in Note 9 to Section XI	25.0	16.0	16.0
	-Other woven fabrics, containing 85% or more by weight of filaments of nylon or other polyamides:			
5407.41.00	--Unbleached or bleached	25.0	16.0	17.0
5407.42.00	--Dyed	25.0	16.0	17.0
5407.43.00	--Of yarns of different colours	25.0	16.0	17.7
5407.44.00	--Printed	25.0	16.0	17.0
	-Other woven fabrics, containing 85% or more by weight of textured polyester filaments:			
5407.51.00	--Unbleached or bleached	25.0	16.0	17.0
5407.52.00	--Dyed	25.0	16.0	17.0
5407.53.00	--Of yarns of different colours	25.0	16.0	20.7

Tariff Item	Description of Goods	Current MFN	Proposed MFN	US MFN
5407.54.00	--Printed	25.0	16.0	17.0
5407.60.00	-Other woven fabrics, containing 85% or more by weight of non-textured polyester filaments	25.0	16.0	17.0
	-Other woven fabrics, containing 85% or more by weight of synthetic filaments:			
5407.71.00	--Unbleached or bleached	25.0	16.0	17.0
5407.72.00	--Dyed	25.0	16.0	17.0
5407.73.00	--Of yarns of different colours	25.0	16.0	17.0
5407.74.00	--Printed	25.0	16.0	17.0
	-Other woven fabrics, containing less than 85% by weight of synthetic filaments, mixed mainly or solely with cotton:			
5407.81.00	--Unbleached or bleached	25.0	16.0	17.0
5407.82.00	--Dyed	25.0	16.0	17.0
5407.83.00	--Of yarns of different colours	25.0	16.0	17.0
5407.84.00	--Printed	25.0	16.0	17.0
	-Other woven fabrics:			
5407.91.00	--Unbleached or bleached	25.0	16.0	16.7
5407.92.00	--Dyed	25.0	16.0	17.7
5407.93.00	--Of yarns of different colours	25.0	16.0	16.7
5407.94.00	--Printed	25.0	16.0	16.7
54.08	Woven fabrics of artificial filament yarn, including woven fabrics obtained from materials of heading No. 54.05.			
5408.10.00	-Woven fabrics obtained from high tenacity yarn, of viscose rayon	25.0	16.0	17.0
	-Other woven fabrics, containing 85% or more by weight of artificial filament or strip or the like:			
5408.21.00	--Unbleached or bleached	25.0	16.0	17.0
5408.22.00	--Dyed	25.0	16.0	17.0
5408.23.00	--Of yarns of different colours	25.0	16.0	17.8
5408.24.00	--Printed	25.0	16.0	17.0
	-Other woven fabrics:			
5408.31.00	--Unbleached or bleached	25.0	16.0	16.5
5408.32.00	--Dyed	25.0	16.0	16.5
5408.33.00	--Of yarns of different colours	25.0	16.0	16.5
5408.34.00	--Printed	25.0	16.0	16.5

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Tariff Item	Description of Goods	Current MFN	Proposed MFN	US MFN
55.01	Synthetic filament tow.			
5501.10.00	-Of nylon or other polyamides	8.5	5.0	10.0
5501.20.00	-Of polyesters	8.5	5.0	10.0
5501.30.00	-Acrylic or modacrylic	8.5	5.0	10.0
5501.90.00	-Other	8.5	5.0	10.0
5502.00.00	Artificial filament tow.	8.5	5.0	10.0
55.03	Synthetic staple fibres, not carded, combed or otherwise processed for spinning.			
5503.10.00	-Of nylon or other polyamides	8.5	5.0	4.9
5503.20.00	-Of polyesters	8.5	5.0	4.9
5503.30.00	-Acrylic or modacrylic	8.5	5.0	4.9
5503.40.00	-Of polypropylene	8.5	5.0	4.9
5503.90.00	-Other	8.5	5.0	4.9
55.04	Artificial staple fibres, not carded, combed or otherwise processed for spinning.			
5504.10.00	-Of viscose	8.5	5.0	4.9
5504.90.00	-Other	8.5	5.0	4.9
55.05	Waste (including noils, yarn waste and garnetted stock) of man-made fibres.			
5505.10.00	-Of synthetic fibres	0.0	0.0	2.1
5505.20.00	-Of artificial fibres	0.0	0.0	2.1
55.06	Synthetic staple fibres, carded, combed or otherwise processed for spinning.			
5506.10.00	-Of nylon or other polyamides	8.5	5.0	6.5
5506.20.00	-Of polyesters	8.5	5.0	6.5
5506.30.00	-Acrylic or modacrylic	8.5	5.0	6.5
5506.90.00	-Other	8.5	5.0	6.5
5507.00.00	Artificial staple fibres, carded, combed or otherwise processed for spinning.	10.8	5.0	6.5

Tariff Item	Description of Goods	Current MFN	Proposed MFN	US MFN
55.08	Sewing thread of man-made staple fibres, whether or not put up for retail sale.			
5508.10.00	-Of synthetic staple fibres	12.5	10.0	13.0
5508.20.00	-Of artificial staple fibres	12.5	10.0	13.0
55.09	Yarn (other than sewing thread) of synthetic staple fibres, not put up for retail sale.			
	-Containing 85% or more by weight of staple fibres of nylon or other polyamides:			
5509.11.00	--Single yarn	12.5	10.0	11.0
5509.12.00	--Multiple (folded) or cabled yarn	12.5	10.0	12.0
	-Containing 85% or more by weight of polyester staple fibres:			
5509.21.00	--Single yarn	12.5	10.0	11.0
5509.22	--Multiple (folded) or cabled yarn			
5509.22.10	---Solely of polyesters	12.5	10.0	12.0
5509.22.90	---Other	12.5	10.0	12.0
	-Containing 85% or more by weight of acrylic or modacrylic staple fibres:			
5509.31.00	--Single yarn	12.5	10.0	11.0
5509.32.00	--Multiple (folded) or cabled yarn	12.5	10.0	12.0
	-Other yarn, containing 85% or more by weight of synthetic staple fibres:			
5509.41.00	--Single yarn	12.5	10.0	11.0
5509.42.00	--Multiple (folded) or cabled yarn	12.5	10.0	12.0
	-Other yarn, of polyester staple fibres:			
5509.51.00	--Mixed mainly or solely with artificial staple fibres	12.5	10.0	11.6
5509.52.00	--Mixed mainly or solely with wool or fine animal hair	12.5	10.0	15.0
5509.53.00	--Mixed mainly or solely with cotton	12.5	10.0	15.0
5509.59.00	--Other	12.5	10.0	15.0
	-Other yarn, of acrylic or modacrylic staple fibres:			
5509.61.00	--Mixed mainly or solely with wool or fine animal hair	12.5	10.0	15.0
5509.62.00	--Mixed mainly or solely with cotton	12.5	10.0	15.0
5509.69.00	--Other	12.5	10.0	11.9
	-Other yarn:			
5509.91.00	--Mixed mainly or solely with wool or fine animal hair	12.5	10.0	15.0
5509.92.00	--Mixed mainly or solely with cotton	12.5	10.0	15.0

Tariff Item	Description of Goods	Current MFN	Proposed MFN	US MFN
5509.99.00	--Other	12.5	10.0	11.2
55.10	Yarn (other than sewing thread) of artificial staple fibres, not put up for retail sale. --Containing 85% or more by weight of artificial staple fibres:			
5510.11.00	--Single yarn	12.5	10.0	11.0
5510.12.00	--Multiple (folded) or cabled yarn	12.5	10.0	12.0
5510.20.00	--Other yarn, mixed mainly or solely with wool or fine animal hair	12.5	10.0	15.0
5510.30.00	--Other yarn, mixed mainly or solely with cotton	12.5	10.0	15.0
5510.90.00	--Other yarn	12.5	10.0	11.7
55.11	Yarn (other than sewing thread) of man-made staple fibres, put up for retail sale.			
5511.10.00	--Of synthetic staple fibres, containing 85% or more by weight of such fibres	12.5	10.0	13.0
5511.20.00	--Of synthetic staple fibres, containing less than 85% by weight of such fibres	12.5	10.0	13.0
5511.30.00	--Of artificial staple fibres	12.5	10.0	13.0
55.12	Woven fabrics of synthetic staple fibres, containing 85% or more by weight of synthetic staple fibres. --Containing 85% or more by weight of polyester staple fibres:			
5512.11.00	--Unbleached or bleached	25.0	16.0	17.0
5512.19.00	--Other	25.0	16.0	17.0
	--Containing 85% or more by weight of acrylic or modacrylic staple fibres:			
5512.21.00	--Unbleached or bleached	25.0	16.0	17.0
5512.29.00	--Other	25.0	16.0	17.0
	--Other:			
5512.91.00	--Unbleached or bleached	25.0	16.0	17.0
5512.99.00	--Other	25.0	16.0	17.0

Tariff Item	Description of Goods	Current MFN	Proposed MFN	US MFN
55.13	Woven fabrics of synthetic staple fibres, containing less than 85% by weight of such fibres, mixed mainly or solely with cotton, of a weight not exceeding 170 g/m(2). -Unbleached or bleached:			
5513.11.00	--Of polyester staple fibres, plain weave	25.0	16.0	17.0
5513.12.00	--3-thread or 4-thread twill, including cross twill, of polyester staple fibres	25.0	16.0	17.0
5513.13.00	--Other woven fabrics of polyester staple fibres	25.0	16.0	17.0
5513.19.00	--Other woven fabrics	25.0	16.0	17.0
5513.21.00	-Dyed: --Of polyester staple fibres, plain weave	25.0	16.0	17.0
5513.22.00	--3-thread or 4-thread twill, including cross twill, of polyester staple fibres	25.0	16.0	17.0
5513.23.00	--Other woven fabrics of polyester staple fibres	25.0	16.0	17.0
5513.29.00	--Other woven fabrics	25.0	16.0	17.0
5513.31.00	-Of yarns of different colours: --Of polyester staple fibres, plain weave	25.0	16.0	17.0
5513.32.00	--3-thread or 4-thread twill, including cross twill, of polyester staple fibres	25.0	16.0	17.0
5513.33.00	--Other woven fabrics of polyester staple fibres	25.0	16.0	17.0
5513.39.00	--Other woven fabrics	25.0	16.0	17.0
5513.41.00	-Printed: --Of polyester staple fibres, plain weave	25.0	16.0	17.0
5513.42.00	--3-thread or 4-thread twill, including cross twill, of polyester staple fibres	25.0	16.0	17.0
5513.43.00	--Other woven fabrics of polyester staple fibres	25.0	16.0	17.0
5513.49.00	--Other woven fabrics	25.0	16.0	17.0
55.14	Woven fabrics of synthetic staple fibres, containing less than 85% by weight of such fibres, mixed mainly or solely with cotton, of a weight exceeding 170 g/m(2). -Unbleached or bleached:			
5514.11.00	--Of polyester staple fibres, plain weave	25.0	16.0	17.0
5514.12.00	--3-thread or 4-thread twill, including cross twill, of polyester staple			

Tariff Item	Description of Goods	Current MFN	Proposed MFN	US MFN
5514.13.00	fibres --Other woven fabrics of polyester staple fibres	25.0	16.0	17.0
5514.19.00	--Other woven fabrics	25.0	16.0	17.0
5514.21.00	-Dyed: --Of polyester staple fibres, plain weave	25.0	16.0	17.0
5514.22.00	--3-thread or 4-thread twill, including cross twill, of polyester staple fibres	25.0	16.0	17.0
5514.23.00	--Other woven fabrics of polyester staple fibres	25.0	16.0	17.0
5514.29.00	--Other woven fabrics	25.0	16.0	17.0
5514.31.00	-Of yarns of different colours: --Of polyester staple fibres, plain weave	25.0	16.0	17.0
5514.32.00	--3-thread or 4-thread twill, including cross twill, of polyester staple fibres	25.0	16.0	17.0
5514.33.00	--Other woven fabrics of polyester staple fibres	25.0	16.0	17.0
5514.39.00	--Other woven fabrics	25.0	16.0	17.0
5514.41.00	-Printed: --Of polyester staple fibres, plain weave	25.0	16.0	17.0
5514.42.00	--3-thread or 4-thread twill, including cross twill, of polyester staple fibres	25.0	16.0	17.0
5514.43.00	--Other woven fabrics of polyester staple fibres	25.0	16.0	17.0
5514.49.00	--Other woven fabrics	25.0	16.0	17.0
55.15	Other woven fabrics of synthetic staple fibres.			
5515.11.00	-Of polyester staple fibres: --Mixed mainly or solely with viscose rayon staple fibres	25.0	16.0	17.0
5515.12.00	--Mixed mainly or solely with man-made filaments	25.0	16.0	17.0
5515.13.00	--Mixed mainly or solely with wool or fine animal hair	25.0	16.0	15.0

Tariff Item	Description of Goods	Current MFN	Proposed MFN	US MFN
5515.19.00	--Other	25.0	16.0	17.0
	-Of acrylic or modacrylic staple fibres:			
5515.21.00	--Mixed mainly or solely with man-made filaments	25.0	16.0	17.0
5515.22.00	--Mixed mainly or solely with wool or fine animal hair	25.0	16.0	14.5
5515.29.00	--Other	25.0	16.0	17.0
	-Other woven fabrics:			
5515.91.00	--Mixed mainly or solely with man-made filaments	25.0	16.0	17.0
5515.92.00	--Mixed mainly or solely with wool or fine animal hair	25.0	16.0	14.6
5515.99.00	--Other	25.0	16.0	17.0
55.16	Woven fabrics of artificial staple fibres.			
	-Containing 85% or more by weight of artificial staple fibres:			
5516.11.00	--Unbleached or bleached	25.0	16.0	17.0
5516.12.00	--Dyed	25.0	16.0	17.0
5516.13.00	--Of yarns of different colours	25.0	16.0	17.0
5516.14.00	--Printed	25.0	16.0	17.0
	-Containing less than 85% by weight of artificial staple fibres, mixed mainly or solely with man-made filaments:			
5516.21.00	--Unbleached or bleached	25.0	16.0	17.0
5516.22.00	--Dyed	25.0	16.0	17.0
5516.23.00	--Of yarns of different colours	25.0	16.0	17.0
5516.24.00	--Printed	25.0	16.0	17.0
	-Containing less than 85% by weight of artificial staple fibres, mixed mainly or solely with wool or fine animal hair:			
5516.31.00	--Unbleached or bleached	25.0	16.0	14.3
5516.32.00	--Dyed	25.0	16.0	14.3
5516.33.00	--Of yarns of different colours	25.0	16.0	14.3
5516.34.00	--Printed	25.0	16.0	14.3
	-Containing less than 85% by weight of artificial staple fibres, mixed mainly or solely with cotton:			
5516.41.00	--Unbleached or bleached	25.0	16.0	17.0
5516.42.00	--Dyed	25.0	16.0	17.0
5516.43.00	--Of yarns of different colours	25.0	16.0	17.0
5516.44.00	--Printed	25.0	16.0	17.0
	-Other:			
5516.91.00	--Unbleached or bleached	25.0	16.0	17.0
5516.92.00	--Dyed	25.0	16.0	17.0
5516.93.00	--Of yarns of different colours	25.0	16.0	17.0
5516.94.00	--Printed	25.0	16.0	17.0

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Tariff Item	Description of Goods	Current MFN	Proposed MFN	US MFN
56.02	Felt, whether or not impregnated, coated, covered or laminated.			
5602.10	-Needleloom felt and stitch-bonded fibre fabrics			
5602.10.10	---Impregnated, coated, covered or laminated	25.0	16.7	12.6
	---Other:			
5602.10.91	----Solely of jute	11.3	7.5	12.6
5602.10.99	----Other	25.0	16.7	12.6
	-Other felt, not impregnated, coated, covered or laminated:			
5602.21.00	--Of wool or fine animal hair	17.0	11.3	16.4
5602.29.00	--Of other textile materials	21.6	14.4	12.5
5602.90.00	-Other	25.0	16.7	12.7
5603.00.00	Nonwovens, whether or not impregnated, coated, covered or laminated.			
5603.00.10	---Of nylon or other polyamides, in rolls or sheets, of a kind used for electrical installation	13.5	9.0	12.1
5603.00.90	---Other	24.8	16.5	12.1
56.04	Rubber thread and cord, textile covered; textile yarn, and strip and the like of heading No. 54.04 or 54.05, impregnated, coated, covered or sheathed with rubber or plastics.			
5604.10.00	-Rubber thread and cord, textile covered	12.5	8.3	7.2
5604.20	-High tenacity yarn of polyesters, of nylon or other polyamides or of viscose rayon, impregnated or coated			
5604.20.10	---Of polyesters or of nylon or other polyamides	12.5	8.3	10.0
5604.20.20	---Of viscose rayon	9.9	6.6	10.0
5604.90.00	-Other	12.5	8.3	10.0
5605.00.00	Metallized yarn, whether or not gimped, being textile yarn, or strip or the like of heading No. 54.04 or 54.05, combined with metal in the form of thread, strip or powder or covered with metal.	12.5	8.3	15.0

Tariff Item	Description of Goods	Current MFN	Proposed MFN	US MFN
5606.00	Gimped yarn, and strip and the like of heading No. 54.04 or 54.05, gimped (other than those of heading No. 56.05 and gimped horsehair yarn); chenille yarn (including flock chenille yarn); loop wale-yarn. ---Gimped yarn, and strip and the like of heading No. 54.04 or 54.05, gimped (other than those of heading No. 56.05 and gimped horsehair yarn):			
5606.00.11	----Containing 50% or more by weight of hair	5.5	3.7	11.5
5606.00.12	----Solely of silk or of silk mixed solely with vegetable fibres	0.0	0.0	11.5
5606.00.13	----Solely of jute	15.0	10.0	11.5
5606.00.19	----Other	12.5	8.3	11.5
	---Chenille yarn (including flock chenille yarn):			
5606.00.21	----Solely of silk or of silk mixed solely with vegetable fibres	0.0	0.0	11.5
5606.00.29	----Other	12.5	8.3	11.5
	---Loop wale-yarn:			
5606.00.31	----Containing 50% or more by weight of hair	5.5	3.7	11.5
5606.00.39	----Other	12.5	8.3	11.5

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Tariff Code	Description of Goods	Current MFN	Proposed MFN	US MFN
58.01	Woven pile fabrics and chenille fabrics, other than fabrics of heading No. 58.02 or 58.06.			
5801.10.00	-Of wool or fine animal hair	25.0	16.0	5.4
	-Of cotton:			
5801.21.00	--Uncut weft pile fabrics	17.5	16.0	23.0
5801.22	--Cut corduroy			
5801.22.10	----Solely of cotton	15.0	15.0	23.0
5801.22.90	----Other	25.0	16.0	23.0
5801.23	--Other weft pile fabrics			
5801.23.10	----Not containing man-made fibres	15.0	15.0	20.0
5801.23.20	----Containing man-made fibres	25.0	16.0	20.0
5801.24.00	--Warp pile fabrics, épinglé (uncut)	17.9	16.0	21.0
5801.25	--Warp pile fabrics, cut			
5801.25.10	----Not containing man-made fibres	15.0	15.0	21.0
5801.25.20	----Containing man-made fibres	25.0	16.0	21.0
5801.26.00	--Chenille fabrics	20.2	16.0	12.6
	-Of man-made fibres:			
5801.31.00	--Uncut weft pile fabrics	25.0	16.0	19.5
5801.32.00	--Cut corduroy	25.0	16.0	19.5
5801.33.00	--Other weft pile fabrics	25.0	16.0	19.5
5801.34.00	--Warp pile fabrics, épinglé (uncut)	25.0	16.0	19.5
5801.35.00	--Warp pile fabrics, cut	25.0	16.0	19.5
5801.36.00	--Chenille fabrics	25.0	16.0	19.5
5801.90	-Of other textile materials			
5801.90.10	----Containing more than 50% by weight of silk, but not containing wool or hair	0.0	0.0	4.7
5801.90.90	----Other	17.5	16.0	4.7
58.02	Terry towelling and similar woven terry fabrics, other than narrow fabrics of heading No. 58.06; tufted textile fabrics, other than products of heading No. 57.03.			
	-Terry towelling and similar woven terry fabrics, of cotton:			
5802.11.00	--Unbleached	25.0	16.0	11.1
5802.19.00	--Other	17.5	16.0	11.1
5802.20.00	-Terry towelling and similar woven terry fabrics, of other textile materials	25.0	16.0	19.5
5802.30.00	-Tufted textile fabrics	25.0	16.0	7.0

Tariff Code	Description of Goods	Current MFN	Proposed MFN	US MFN
58.03	Gauze, other than narrow fabrics of heading No. 58.06.			
5803.10	-Of cotton			
5803.10.10	---Solely of cotton, unbleached, of a weight not exceeding 40 g/m(2)	0.0	0.0	11.3
5803.10.90	---Other	19.7	16.0	11.3
5803.90	-Of other textile materials			
	---Of wool:			
5803.90.11	----In the grey or unfinished condition, of a weight not exceeding 135 g/m(2)	12.5	12.5	8.9
5803.90.19	----Other	11.8	11.8	8.9
5803.90.90	---Other	21.1	16.0	8.9
58.04	Tulles and other net fabrics, not including woven, knitted or crocheted fabrics; lace in the piece, in strips or in motifs.			
5804.10	-Tulles and other net fabrics			
5804.10.10	---Solely of vegetable fibres	10.0	10.0	12.0
5804.10.90	---Other	20.0	16.0	12.0
	-Mechanically made lace:			
5804.21.00	--Of man-made fibres	17.5	16.0	16.0
5804.29.00	--Of other textile materials	10.0	10.0	10.0
5804.30	-Hand-made lace			
5804.30.10	---Solely of vegetable fibres	10.0	10.0	15.0
5804.30.90	---Other	20.0	16.0	15.0
58.06	Narrow woven fabrics, other than goods of heading No. 58.07; narrow fabrics consisting of warp without weft assembled by means of an adhesive (bolducs).			
5806.10	-Woven pile fabrics (including terry towelling and similar terry fabrics) and chenille fabrics			
5806.10.10	---Of silk; of cotton or other vegetable fibres	15.7	15.7	9.1

Tariff Code	Description of Goods	Current MFN	Proposed MFN	US MFN
5806.10.90	---Other	25.0	16.0	9.1
5806.20.00	-Other woven fabrics, containing by weight 5% or more of elastomeric yarn or rubber thread	25.0	16.0	8.0
5806.31	-Other woven fabrics:			
5806.31.10	--Of cotton			
5806.31.10	---Solely of cotton, unbleached, not mercerized	15.0	15.0	10.0
5806.31.20	---Other, solely of cotton	17.5	16.0	10.0
5806.31.30	---Containing man-made fibres	25.0	16.0	10.0
5806.31.90	---Other	20.1	16.0	10.0
5806.32.00	--Of man-made fibres	22.5	16.0	8.0
5806.39	--Of other textile materials			
5806.39.10	---Solely of jute; containing more than 50% by weight of silk	0.0	0.0	5.0
5806.39.90	---Other	22.5	16.0	5.0
5806.40.00	-Fabrics consisting of warp without weft assembled by means of an adhesive (bolducs)	24.0	16.0	16.0
5809.00.00	Woven fabrics of metal thread and woven fabrics of metallized yarn of heading No. 56.05, of a kind used in apparel, as furnishing fabrics or for similar purposes, not elsewhere specified or included.	25.0	16.7	17.0
58.10	Embroidery in the piece, in strips or in motifs.			
5810.10.00	-Embroidery without visible ground	12.4	8.3	16.0
5810.91	-Other embroidery:			
5810.91.10	--Of cotton			
5810.91.10	---Solely of cotton or of cotton mixed solely with other vegetable fibres	10.0	6.7	8.4
5810.91.90	---Other	20.0	13.3	8.4
5810.92.00	--Of man-made fibres	20.0	13.3	8.4
5810.99.00	--Of other textile materials	20.0	13.3	8.4

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Tariff Code	Description of Goods	Current MFN	Proposed MFN	US MFN
59.01	Textile fabrics coated with gum or amylaceous substances, of a kind used for the outer covers of books or the like; tracing cloth; prepared painting canvas; buckram and similar stiffened textile fabrics of a kind used for hat foundations.			
5901.10.00	-Textile fabrics coated with gum or amylaceous substances, of a kind used for the outer covers of books or the like	22.5	15.0	7.2
5901.90	-Other			
5901.90.10	---Prepared painting canvas	10.2	6.8	7.1
5901.90.90	---Other	22.5	15.0	7.1
59.02	Tire cord fabric of high tenacity yarn of nylon or other polyamides, polyesters or viscose rayon.			
5902.10.00	-Of nylon or other polyamides	12.5	8.3	6.6
5902.20.00	-Of polyesters	12.5	8.3	6.6
5902.90.00	-Other	12.5	8.3	6.6
59.03	Textile fabrics impregnated, coated, covered or laminated with plastics, other than those of heading No. 59.02.			
5903.10	-With polyvinyl chloride			
5903.10.10	---Textile fabrics not containing man-made fibres	22.5	15.0	6.5
5903.10.20	---Textile fabrics containing man-made fibres	25.0	16.7	6.5
5903.20	-With polyurethane			
5903.20.10	---Textile fabrics not containing man-made fibres	22.5	15.0	5.6
5903.20.20	---Textile fabrics containing man-made fibres	25.0	16.7	5.6
5903.90	-Other			
5903.90.10	---Textile fabrics not containing man-made fibres	22.5	15.0	4.8
5903.90.20	---Textile fabrics containing man-made fibres	25.0	16.7	4.8
59.06	Rubberized textile fabrics, other than those of heading No. 59.02.			
5906.10	-Adhesive tape of a width not exceeding 20 cm			
5906.10.10	---Textile fabrics not containing man-made fibres	22.5	15.0	5.8
5906.10.20	---Textile fabrics containing man-made fibres	25.0	16.7	5.8

Tariff Code	Description of Goods	Current MFN	Proposed MFN	US MFN
5906.91	-Other:			
5906.91.10	--Knitted or crocheted ---Textile fabrics not containing man-made fibres	22.5	15.0	6.2
5906.91.20	---Textile fabrics containing man-made fibres	25.0	16.7	6.2
5906.99	--Other			
5906.99.10	---Textile fabrics not containing man-made fibres	22.5	15.0	6.2
5906.99.20	---Textile fabrics containing man-made fibres	25.0	16.7	6.2
5907.00	Textile fabrics otherwise impregnated, coated or covered; painted canvas being theatrical scenery, studio back-cloths or the like.			
	---Textile fabrics otherwise impregnated, coated or covered:			
5907.00.11	----Oilcloth	11.3	7.5	5.8
5907.00.12	----Other, textile fabrics not containing man-made fibres	22.5	15.1	5.8
5907.00.13	----Other, textile fabrics containing man-made fibres	25.0	16.7	5.8
5907.00.20	----Painted canvas being theatrical scenery, studio back-cloths or the like	22.6	15.1	5.8
5908.00.00	Textile wicks, woven, plaited or knitted, for lamps, stoves, lighters, candles or the like; incandescent gas mantles and tubular knitted gas mantle fabric therefor, whether or not impregnated.	22.2	14.8	6.8
5909.00	Textile hosepipng and similar textile tubing, with or without lining, armour or accessories of other materials.			
5909.00.10	---Fire hose	20.0	13.3	6.4
5909.00.90	---Other	24.0	16.0	6.4
5910.00	Transmission or conveyor belts or belting, of textile material, whether or not reinforced with metal or other material.			
5910.00.10	---Conveyor belts, cut to length	9.2	6.1	6.2
5910.00.90	---Other	17.5	11.7	6.2

Tariff Code	Description of Goods	Current MFN	Proposed MFN	US MFN
59.11	Textile products and articles, for technical uses, specified in Note 7 to this Chapter.			
5911.10.00	-Textile fabrics, felt and felt-lined woven fabrics, combined with one or more layers of rubber, leather or other material, of a kind used for card clothing, and similar fabric for other technical uses	22.5	15.0	6.4
5911.20.00	-Bolting cloth, whether or not made up -Textile fabrics and felts, endless or fitted with linking devices, of a kind used in paper-making or similar machines (for example, for pulp or asbestos-cement):	22.1	14.7	6.4
5911.31.00	--Weighing less than 650 g/m(2)	9.2	6.1	7.5
5911.32.00	--Weighing 650 g/m(2) or more	9.2	6.1	7.5
5911.40.00	-Straining cloth of a kind used in oil presses or the like, including that of human hair	25.0	16.7	17.0
5911.90	-Other			
	---Blankets, blanketing or lapping:			
5911.90.11	----Of a kind used on offset printing machinery	12.5	8.3	7.5
5911.90.19	----Other	0.0	0.0	7.5
5911.90.90	---Other	19.1	12.7	7.5

C59E/FEB.5/90

Tariff Code	Description of Goods	Current MFN	Proposed MFN	US MFN
60.01	Pile fabrics, including "long pile" fabrics and terry fabrics, knitted or crocheted.			
6001.10.00	- "Long pile" fabrics	25.0	16.0	19.5
	- Looped pile fabrics:			
6001.21.00	-- Of cotton	25.0	16.0	11.1
6001.22.00	-- Of man-made fibres	25.0	16.0	19.5
6001.29.00	-- Of other textile materials	25.0	16.0	8.0
	- Other:			
6001.91.00	-- Of cotton	25.0	16.0	21.0
6001.92.00	-- Of man-made fibres	25.0	16.0	19.5
6001.99.00	-- Of other textile materials	25.0	16.0	8.0
60.02	Other knitted or crocheted fabrics.			
6002.10	- Of a width not exceeding 30 cm, containing by weight 5% or more of elastomeric yarn or rubber thread			
6002.10.10	--- Knitted netting or lace of vegetable fibres, not containing any other textile fibres	10.0	10.0	9.5
6002.10.20	--- Other lace	20.0	16.0	9.5
6002.10.90	--- Other	25.0	16.0	9.5
6002.20	- Other, of a width not exceeding 30 cm			
6002.20.10	--- Lace, solely of vegetable fibres	10.0	10.0	14.7
6002.20.20	--- Other lace	20.0	16.0	14.7
6002.20.90	--- Other	25.0	16.0	14.7
6002.30	- Of a width exceeding 30 cm, containing by weight 5% or more of elastomeric yarn or rubber thread			
6002.30.10	--- Lace of vegetable fibres, not containing any other textile fibres	10.0	10.0	12.7
6002.30.20	--- Other lace	20.0	16.0	12.7
6002.30.90	--- Other	25.0	16.0	12.7
	- Other fabrics, warp knit (including those made on galloon knitting machines):			
6002.41.00	-- Of wool or fine animal hair	25.0	16.0	19.0
6002.42	-- Of cotton			
6002.42.10	--- Lace, solely of cotton or solely of cotton and other vegetable fibres	10.0	10.0	14.0
6002.42.20	--- Other lace	20.0	16.0	14.0
6002.42.90	--- Other	25.0	16.0	14.0
6002.43	-- Of man-made fibres			
6002.43.10	--- Lace	20.0	16.0	14.0
6002.43.90	--- Other	25.0	16.0	14.0
6002.49	-- Other			
6002.49.10	--- Lace, solely of vegetable fibres	10.0	10.0	14.0
6002.49.20	--- Other lace	20.0	16.0	14.0
6002.49.90	--- Other	25.0	16.0	14.0
	- Other:			
6002.91.00	-- Of wool or fine animal hair	25.0	16.0	19.0
6002.92.00	-- Of cotton	25.0	16.0	14.0
6002.93.00	-- Of man-made fibres	25.0	16.0	14.0
6002.99.00	-- Other	25.0	16.0	14.0

II — CONVERSION OF SPECIFIC DUTIES TO AD VALOREM EQUIVALENTS

1. Introduction

Specific and compound duties are to be converted to ad valorem equivalents, effective on the date of implementation of the tariff recommendations. These ad valorem equivalent rates will then be subject to the recommended relevant maximum rate and to the recommended reduction schedule.

In the case of all yarns with compound rates, the effect of converting the compound duties to an ad valorem equivalent and then reducing that equivalent tariff to the proposed rate of 10 percent is the same as the elimination of the specific component of the tariff. An alternative approach to achieving the same goal would be to reduce the specific tariff to zero, in stages, keeping pace with the proposed reduction schedule for all other yarns, thereby finishing with a rate of 10 percent. Although this approach leads to the same end result for tariffs on yarns, it was felt that it would be easier to administer a reduction schedule wherein all rates for yarns are ad valorem and subject to the same one-percentage point per year reduction.

2. Specific Duties

Of the 568 textile tariff items in the Canadian *Customs Tariff* covered by the inquiry, 473 have ad valorem tariff (percentage) rates applied to them, while 95 have compound rates made up of ad valorem and specific components. In all cases, the specific component is a certain value per kilogram of product imported. Of the tariff items with compound rate structures, 85 relate to yarns. Each has the same compound rate of 10 percent + \$0.11/kg. Virtually all relate to man-made yarns or natural yarns containing more than 15 percent by weight of man-made fibres. The other 10 non-yarn items carry a rate of 25 percent, not to exceed \$3.45/kg. Nine of these items are fabrics of carded or combed wool, and one is gauze.

Prior to 1947, the yarns with compound rates had been dutiable at a rate of 22.5 percent, but not less than \$0.22/lb. Subsequently, the compound rate was changed to 10 percent + \$0.05/lb. In 1979, with metrification, the specific component was converted to \$0.11/kg. With yarn prices considerably higher now than in 1947, duties calculated on the basis of the specific duty component account for only a small part of total duties payable.

With respect to the remaining 10 non-yarn items, the rate of duty, presently set at 25 percent not to exceed \$3.45/kg, is adjusted annually pursuant to the provisions of Supplementary Note 1(a) to Section XI of the *Customs Tariff*. The note reads as follows:

1. For the purpose of tariff item Nos. 5111.11.90, 5111.20.91, 5111.30.91, 5111.90.91, 5112.11.90, 5112.19.91, 5112.20.91, 5112.30.91, 5112.90.91 and 5803.90.19:
 - (a) Total customs duties leviable or imposable under the Most-Favoured-Nation Tariff shall be set by the Deputy Minister, effective July 1 of each year, to equate to a rate of 11.8%, based on Statistics Canada import statistics for the aggregate value of trade from Most-Favoured-Nation countries for these tariff item Nos. for the most recent three calendar years.

3. Conversion of Specific Duties to Ad Valorem Equivalents

For the purpose of the proposed reductions, the specific component of compound rates must be assessed and converted to an ad valorem (percentage) equivalent. In the case of yarns, this percentage will, in effect, be added to the 10 percent ad valorem component of the rate. In the case of fabrics, it is the specific duty of \$3.45/kg (equating to an average ad valorem rate in 1988 of 11.8 percent for all pertinent imports) which is applicable. This ad valorem equivalent is in all cases less than the 25 percent statutory ad valorem rate.

A specific duty, being based on weight, provides for duties payable that are unique, in ad valorem terms, for all transactions with identical weights, but different unit prices. The amount of specific duty payable, expressed as a percentage of the value of the imports (i.e., the ad valorem equivalent), will vary directly with the declared value of the import. For example, if an importer receives two orders of yarn under the same tariff item, both having the same weight, but with differing values, then the less expensive order will have the higher ad valorem equivalent of the specific rate of duty, as shown below.

	Quantity of Imports	Specific Duty \$	Value of Imports \$	Ad Valorem Equivalent %
Yarn X	100 kg	11.00	1,000	1.1
Yarn Y	100 kg	11.00	500	2.2
Fabric A	100 kg	345.00	3,000	11.5
Fabric B	100 kg	345.00	1,500	23.0

This table also shows examples of calculations of a specific rate of \$3.45/kg for fabrics (Fabric A and Fabric B). In this case, also, the ad valorem equivalent is greater for the imported product having the lower value (i.e., Fabric B).

In the previous examples, it was assumed that the imported products were different. However, there can be different ad valorem equivalents for identical products. For example, a clothing manufacturer purchases two separate orders of the same fabric. The first shipment is invoiced at a lower unit price than the second. Because of the lower cost per kilogram, the ad valorem equivalent for the first order will be higher than that for the second order.

Thus, the ad valorem equivalents of specific duties are extremely sensitive to changes in prices and differences in prices for similar products. Setting the ad valorem equivalent of a specific duty on the basis of a single transaction runs the risk of being arbitrary. Basing the conversion on imports at the tariff item level entails similar risks of arbitrary treatment. In addition, establishing a multitude of different ad valorem equivalents in the case of fabrics would be inconsistent with the recommendation that similar products be subject to the same tariff rate.

Accepting that tariffs should be identical for similar products, a basis had to be established for determining what these tariffs should be in terms of those yarns and fabrics now subject to specific duties.

4. Yarns

In assessing what the ad valorem equivalent of the specific component of the tariff on yarns should be, tariffs on other yarns and average rates for yarns now subject to compound duties were examined. Most natural yarns are now subject to an ad valorem rate of 12.5 percent and the weighted average rate is close to 12.5 percent. Among man-made fibre yarns, 80 percent of imports in 1988 were concentrated in two four-digit classifications, one with a weighted average ad valorem equivalent rate of 12.5 percent and the other with a weighted average of 12.6 percent (i.e., the specific duty components accounted for 2.5 percent and 2.6 percent, respectively).

It is clear from this that an ad valorem rate falling in the 12.4 to 12.6 percent range would closely approximate the average rate of duty currently applied to natural and man-made yarns, whether subject to ad valorem or compound rates.

Although, at the eight-digit level, the ad valorem equivalents of specific rates for yarns ranged from as low as 0.5 percent for some threads to as high as 3.9 percent for some yarns, most trade-weighted ad valorem equivalent rates were near the average rate of 2.5 percent. Although the upper and lower rates represent relatively little trade, the breadth of the range clearly demonstrates the potential differences that may occur given widely differing product prices at the tariff item level.

It was concluded that the ad valorem equivalent of compound rates of 10 percent + \$0.11/kg should be set at 12.5 percent. This means that the implementation of the proposed reduction schedule would result in an initial reduction of one percentage point to a level of 11.5 percent.

5. Fabrics

The basis for the recommendations concerning the conversion of specific rates of duty for certain fabrics is to be found in Chapter XI of the *Customs Tariff*, wherein it stipulates that the average MFN rate applicable to imports of the goods at issue should be 11.8 percent. This average rate is to be maintained through annual adjustments of the level of the specific duty rate.

The averages of the ad valorem equivalents for the 10 fabric tariff items in 1988 and 1989 were 10.7 percent and 10.6 percent, respectively. The fact that these averages are less than 11.8 percent no doubt reflects rising prices; under the statutory provision, these averages explain the need for periodic upward adjustment in the specific rate of duty. In 1988, the average rate for imports of these fabrics ranged from 8.4 to 11.0 percent for the 10 tariff items. However, nearly 85 percent of these imports entered under three tariff items which had a weighted average ad valorem equivalent of imports of 10.3 percent. Only 12.0 percent of imports had ad valorem equivalents of more than 11.8 percent.

Taking all of this into account, especially the prescribed annual adjustments, the Tribunal recommends that the 11.8 percent, now referred to in the *Customs Tariff* as an average tariff for fabrics and gauze with compound tariff rates, should become the ad valorem rate for each relevant tariff item effective the date of implementation of our recommendations.

III — PROPOSALS FOR ACCELERATION OR ELIMINATION OF TARIFFS

Section 6 of Chapter VI of the Tribunal's Report sets out comments and recommendations on the numerous requests made for the elimination of tariffs on all imports and for the immediate elimination of tariffs in the context of the FTA. All requests received by the Tribunal are set out in two separate lists at the end of this section: **List 1** for those special requests to eliminate tariffs on all imports and **List 2** for those requests made in the context of the FTA.

The reasons and considerations underlying the recommendations on special tariff requests are summarized below.

It should be noted that most requests were opposed by the CTI, or by one or more domestic manufacturers, or by both the CTI and domestic firms. Relevant details are included in the lists.

List 1: Comments and Recommendations

In the majority of cases, special treatment is requested in respect of goods covered by only part of a tariff item. Approval of such requests would require the writing of additional tariff lines differentiating the goods in Schedule I of the *Customs Tariff*, or the creation of special end-use items in the Concessionary Annex. Informed judgments with respect to these requests are difficult to make without access to more detailed information on the composition of imports under the pertinent tariff provisions and without having the views of all those having an interest in the maintenance or removal of the tariff. Of the other requests, most apply to a broad spectrum of goods and/or are insufficiently specific in terms of product description or end use to permit ready circumscription within the tariff structure. Some of the relevant products already benefit under existing concessionary provisions, while most would enjoy substantial tariff reductions as a result of the Tribunal's major recommendations, or under the FTA. Of the special requests received for the elimination of all tariffs, there are only two where, given the information available, the Tribunal felt prepared to make definite recommendations for tariff relief.

(a) Recommendations

(i) IKO Industries Ltd. and CanRoof Corporation Inc. (No. 73 in List 1)

Request for the elimination of duties on polyester mats for use in the manufacture of modified bitumen roofing (HS 5603.00.00, MFN 24.8 percent).

According to information relayed by the CTI, Tex-El Inc. of Beauce Nord, Quebec, "has an interest in the development of needlepunch products for this application." Also, "Celanese is concerned that duty-free entry of the fabrics requested would inhibit their ability to sell polyester fibres to Canadian customers for this end use."

The petitioners appear to have a more concrete interest in the pertinent goods than the opposing parties. It is also noted that there are already 22 existing concessionary provisions having reference to goods classifiable under tariff item No. 5603.00.00, with rates ranging from Free to 13.2 percent. Accordingly, a proposal is made for the creation of a further concessionary provision worded as follows:

Non-woven mat of polyester fibres of tariff item No. 5603.00.00
for use in the manufacture of modified bitumen roofing. Free.

The aforesaid companies also requested duty relief in respect of fibreglass materials classified under HS 7019.31.10. A recommendation with respect to these goods would be outside the Tribunal's mandate.

(II) Hartford Fibres Ltd. (No. 63 In List 1)

Request for the elimination of duties on polyester tow for flock cutting (HS 5501.20.00, MFN 8.5 percent).

It is understood that the main product at issue is black polyester tow. In this connection, the Tribunal has been informed that Celanese "does not produce black polyester tow and therefore would not object to tariff relief on this specific product for use in flock cutting. Celanese does object to duty-free entry of any other types of polyester tow."

It is noted that existing Annex Code 4175 already provides for duty-free entry of certain nylon and all viscose rayon tow for use in the manufacture of flocking fibres.

Accordingly, a recommendation is made for the creation of an additional concessionary end-use provision to be worded as follows:

Filament tow, solely of polyester, black, of tariff item No. 5501.20.00 for use in the manufacture of flocking fibres.
Free.

(b) Comments on Other Requests

Several of the other requests included in List 1 seem to call for special comment, namely:

(i) Doubletex Inc. (Nos. 25 and 30 In List 1)

Request for reduction in rates of duty on greige fabrics, 100 percent cotton (Headings 5208 and 5209, various MFN rates).

The listing of the above might be perceived as implying a request by Doubletex Inc. for duty-free entry of the goods at issue. However, the company's proposal is for an intermediate solution based on tariff relativity, i.e., for lower duties on greige products than on corresponding finished fabrics.

While the CTI has urged the Tribunal "to recognize that the weavers/knitters oppose the proposal for duty reductions on greige fabrics" (which are woven and knitted in Canada), the Association, itself, has refrained from taking a definite position in the matter. However, a recommendation along the lines suggested by Doubletex Inc. would undermine the simplicity of the tariff structure which is being proposed by the Tribunal, while a very wide range of products would be affected. This request has therefore been rejected.

(II) K-Bro Textile Technologies Inc. (No. 61 In List 1)

Request for elimination of duties on "Rotecno medical fabric" of polyester (HS 5407.60.00, MFN 25 percent).

The CTI states: "Polyester filament fabrics that are potentially substitutable for the specific fabrics described are produced in Canada. It would be helpful if samples of the

requested fabric were made available so that we can provide a more detailed response on this particular item."

It is not clear to what extent, if at all, the goods at issue would fall under Annex Code 6375, which provides for the entry, at 10 percent MFN, of certain woven fabrics for use in the manufacture of adhesive plasters, adhesive dressings and bandages.

It is felt that a definite decision with respect to this request should be deferred pending further investigation by the Department of Finance.

List 2: Comments and Recommendations

As with the requests tabulated in List 1, very few of the applications for the accelerated elimination of tariffs under the FTA, set out in List 2, were accompanied by sufficiently detailed information to provide a basis for recommendations by the Tribunal. Of the requests included in List 2, 25 have now apparently been negotiated between Canada and the United States so as to take effect on April 1, 1990.¹ These requests are identified in List 2 by an asterisk.

With regard to the remaining applications for the accelerated elimination of duties under the FTA, it is suggested that further consideration by the Department of Finance be given to the following:

Firestone Textiles Company (No. 67 in List 2)

Nylon tire cord fabric (HS 5902.10.00, MFN 12.5 percent)

Firestone Textiles Company (No. 68 in List 2)

Polyester tire cord fabric (HS 5902.20.00, MFN 12.5 percent)

There is no Annex item, as in the case of high tenacity yarns, for the aforesaid end use. However, the existing rate, in each instance, is concessionary, being half that currently applied to most fabrics of man-made yarns. Dominion Textile Inc. has indicated support for these requests, while Du Pont Canada Inc. is opposed to the accelerated elimination of duty in respect of tire cord fabric of nylon yarn. The CTI does not support either request.

1. See Department of Finance and Department of External Affairs, *List of Tariff Lines and Products Where Canada and the United States have Agreed to Accelerate the Elimination of the Tariff*, November 30, 1989.

**REQUESTS SUBMITTED TO THE CANADIAN INTERNATIONAL TRADE TRIBUNAL
FOR ELIMINATION OF TARIFFS ON CERTAIN TEXTILE PRODUCTS**

LIST 1. ALL TARIFFS

Request made by:	Product Description	HS	Rate	All or Part of Tariff Item	Opposed to Elimination of Tariffs						
					Canadian Textiles Institute	Consoltex	Dominion Textile	Du Pont Canada	Huntingdon Mills	Brownco Textiles	W. Coast Woollen Mills
1. Quebec Outerwear Knitters' Association	raw or natural fibres used in the production of yarn for machine knitting	5105.10.90	12.5%	all	X						
2. Flamcan Inc.	all fibres	5105.10.90	12.5%	all	X						
3. Canadian Apparel Manufacturers Institute	all textile raw materials (fibres) and products between fibre and yarn	5105.10.90	12.5%	all	X						
4. Quebec Outerwear Knitters' Association	raw or natural fibres used in the production of yarn for machine knitting	5105.29.90	12.5%	all	X						
5. Flamcan Inc.	all fibres	5105.29.90	12.5%	all	X						
6. Canadian Apparel Manufacturers Institute	all textile raw materials (fibres) and products between fibre and yarn	5105.29.90	12.5%	all	X						
7. Quebec Outerwear Knitters' Association	raw or natural fibres used in the production of yarn for machine knitting	5105.30.90	9%	all	X						
8. Flamcan Inc.	all fibres	5105.30.90	9%	all	X						
9. Canadian Apparel Manufacturers Institute	all textile raw materials (fibres) and products between fibre and yarn	5105.30.90	9%	all	X						
10. Quebec Outerwear Knitters' Association	raw or natural fibres used in the production of yarn for machine knitting	5105.40.90	12.5%	all	X						
11. Flamcan Inc.	all fibres	5105.40.90	12.5%	all	X						
12. Canadian Apparel Manufacturers Institute	all textile raw materials (fibres) and products between fibre and yarn	5105.40.90	12.5%	all	X						
13. Flamcan Inc.	all yarns	5106.00.00	12.5%	all	X						

14.	Flamcan Inc.	all yarns	5107.00.00	12.5%	all	X			
15.	Flamcan Inc.	all yarns	5108.00.00	various	all	X			
16.	Flamcan Inc.	all yarns	5109.00.00	12.5%	all	X			
17.	Burnett's & Struth Scottish Regalia Ltd.	100% worsted "authentic" tartan cloth for use in the manufacture of kilts	5111.11.90	25% but not to exceed \$3.45/kg	part	X			X
18.	Burnett's & Struth Scottish Regalia Ltd.	100% worsted "authentic" tartan cloth for use in the manufacture of kilts	5111.19.00	25%	part	X			X
19.	Canadian Apparel Manufacturers Institute	all textile raw materials (fibres) and products between fibre and yarn	5205.00.00	12.5%	all	X			X
20.	Canadian Glove Manufacturers Association Ltd.	cotton and poly/cotton yarns for use in the manufacture of work gloves	5205.11.00	12.5%	part	X			X
21.	Canadian Apparel Manufacturers Institute	all textile raw materials (fibres) and products between fibre and yarn	5206.00.00	10%+11¢/kg	all	X			X
22.	Canadian Apparel Manufacturers Institute	all textile raw materials (fibres) and products between fibre and yarn	5207.00.00	10%+11¢/kg	all	X			X
23.	Canadian Glove Manufacturers Association Ltd.	100% cotton yarns for use in the manufacture of work gloves	5207.10.00	12.5%	part	X			X(a)
24.	Canadian Glove Manufacturers Association Ltd.	poly/cotton yarns for use in the manufacture of work gloves	5207.90.00	10%+11¢/kg	part	X			X(a)
25.	Doubletex Inc.	greige fabrics, 100% cotton	5208.00.00	various(b)		X	X	X	X
26.	Canadian Down and Feather Products Association	lightweight downproof cotton cambric	5208.22.90	17.5%	part	X	X	X	X
27.	Canadian Down and Feather Products Association	lightweight downproof cotton cambric	5208.32.90	17.5%	part	X	X	X	X
28.	Gemini Fashions	wax cotton plaid; high count coated cotton cambric	5208.42.90	17.5%	part	X	X		
29.	Canadian Down and Feather Products Association	lightweight downproof cotton cambric	5208.52.90	17.5%	part	X	X	X	X

LIST 1. ALL TARIFFS

Request made by:	Product Description	HS	Rate	All or Part of Tariff Item	Opposed to Elimination of Tariffs					
					Canadian Textiles Institute	Consoltex	Dominion Textile	Du Pont Canada	Hunting-don Mills	Brownco Textiles
30. Doubletex Inc.	greige fabrics, 100% cotton	5209.00.00	various(b)		X	X	X		X	
31. Canadian Glove Manufacturers Association Ltd.	100% cotton-woven fabrics for use in the manufacture of work gloves	5209.11.00	15%	part	X	X	X			
32. Gemini Fashions	woven greige fabrics, 100% cotton	5209.12.00	15%	part	X	X	X		X	
33. Canadian Down and Feather Products Association	lightweight downproof cotton cambric	5209.31.00	17.5%	part	X	X	X			
34. Canadian Glove Manufacturers Association Ltd.	100% cotton-woven fabrics for use in the manufacture of work gloves	5209.31.00	17.5%	part	X	X	X			
35. Gemini Fashions	yarn-died brushed flannel plaids	5209.31.00	17.5%	part	X	X	X			
36. Gemini Fashions	corduroy fabrics	5209.32.00	17.5%	part	X		X			
37. Gemini Fashions	denim fabrics	5209.42.00	17.5%	part	X		X			
38. Gemini Fashions	multi-coloured printed nylon and polyester/cotton fabrics	5210.51.00	25%	part	X	X	X			
39. Canadian Glove Manufacturers Association Ltd.	cotton/synthetic blend woven fabrics for use in the manufacture of work gloves	5211.31.00	25%	part	X	X	X			
40. Canadian Glove Manufacturers Association Ltd.	woven canton flannel, 100% cotton yarns for use in the manufacture of work gloves	5212.11.90	20.4%	part	X	X	X			
41. Canadian Glove Manufacturers Association Ltd.	100% kevlar for use in the manufacture of work gloves	5401.10.00	10%+11¢/kg	part	X					
42. Flamcan Inc.	all yarns	5402.31.00	10%+11¢/kg	all	X			X		X
43. Flamcan Inc.	all yarns	5402.32.00	10%+11¢/kg	all	X			X		
44. Flamcan Inc.	all yarns	5402.33.00	10%+11¢/kg	all	X					
45. Flamcan Inc.	all yarns	5402.39.00	10%+11¢/kg	all	X			X		
46. Flamcan Inc.	all yarns	5402.41.00	10%+11¢/kg	all	X					

47.	Flamcan Inc.	all yarns	5402.42.00	10%+11¢/kg	part	X	
48.	Flamcan Inc.	all yarns	5402.43.00	10%+11¢/kg	part	X	
49.	Canadian Glove Manufacturers Association Ltd.	nylon/polyester yarns for use in the manufacture of work gloves	5406.10.00	10%+11¢/kg	part	X	
50.	Campmate Limited	fire-retardant nylon fabric for use in the manufacture of family-size recreational tents	5407.10.00	25%	part	X	X
51.	Gemini Fashions	multi-coloured printed nylon and polyester/cotton fabrics	5407.42.00	25%	part	X	X
52.	Gemini Fashions	multi-coloured printed nylon and polyester/cotton fabrics	5407.44.00	25%	part	X	X
53.	Elite Blouse & Skirt Mfg. Ltd.	100% polyester filament fabric woven 81 gm/square metre	5407.52.00	25%	part	X	X
54.	Elite Blouse & Skirt Mfg. Ltd.	100% polyester filament fabric woven 89 gm/square metre	5407.52.00	25%	part	X	X
55.	Elite Blouse & Skirt Mfg. Ltd.	100% polyester filament fabric woven 92 gm/square metre	5407.52.00	25%	part	X	X
56.	Elite Blouse & Skirt Mfg. Ltd.	100% polyester filament fabric woven 122 gm/square metre	5407.52.00	25%	part	X	X
57.	Elite Blouse & Skirt Mfg. Ltd.	100% polyester filament woven fabric twill	5407.52.00	25%	part	X	X
58.	Elite Blouse & Skirt Mfg. Ltd.	100% polyester filament fabric woven 89 gm/square metre	5407.54.00	25%	part	X	X
59.	Elite Blouse & Skirt Mfg. Ltd.	100% polyester filament fabric woven 92 gm/square metre	5407.54.00	25%	part	X	X
60.	Elite Blouse & Skirt Mfg. Ltd.	100% polyester filament woven fabric georgette	5407.54.00	25%	part	X	X
61.	K-Bro Textile Technologies Inc.	Rotecno medical fabric (a microporous woven, microfibre filament polyester fabric having in excess of 450 yarns per 10 cm in the warp and in excess of 280 yarns per 10 cm in the weft; with a total weight not exceeding 180 gr/sq.M)	5407.60.00	25%	part	X(c)	X
62.	Canadian Apparel Manufacturers Institute	all textile raw materials (fibres) and products between fibre and yarn	5501.00.00	8.5%	all	X	X

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Request made by:	Product Description	HS	Rate	All or Part of Tariff Item	Opposed to Elimination of Tariffs						
					Canadian Textiles Institute	Consoltex	Dominion Textile	Du Pont Canada	Hunting-don Mills	Brownco Textiles	W. Coast Woollen Mills
63. Hartford Fibres Ltd.	polyester tow for flock cutting	5501.20.00	8.5%	part	X(d)						
64. Canadian Apparel Manufacturers Institute	all textile raw materials (fibres) and products between fibre and yarn	5502.00.00	8.5%	all	X						
65. Crossley Carpets Ltd.	acrylic and modacrylic fibres of 15 decitex or greater	5503.30.00	8.5%	part	X			X			
66. Canadian Glove Manufacturers Association Ltd.	cotton/polyester yarns for use in the manufacture of work gloves	5509.53.00	10%+11¢/kg	part	X		X				
67. Gemini Fashions	polyester micro-filament fabrics made from brushed, conjugated yarns	5513.13.00	25%	part	X	X	X				
68. Gemini Fashions	printed, pleated and overprinted lightweight polyester	5514.21.00	25%	part	X	X	X				
69. Gemini Fashions	polyester/cotton, high count fabrics, two-ply yarns, intimate blend	5514.21.00	25%	part	X	X	X				
70. Gemini Fashions	four-way stretch fabrics - nylon-wool-elastic blends	5515.12.00	25%	part	X	X					
71. Gemini Fashions	four-way stretch fabrics - nylon-wool-elastic blends	5515.13.00	25%	part	X	X					
72. Gemini Fashions	thinsulate for interlining	5601.22.10	9.2%	part	X	X					
73. IKO Industries Ltd. CanRoof Corporation Inc.	trivera and coldback polyester mats used in the manufacture of modified bitumen roofing	5603.00.00	24.8%	part	X						
74. Carsilco International Inc.	corduroy of any fibre content	5801.22.00	various	part	X						
75. Gemini Fashions	corduroy fabrics	5801.22.00	various	part	X						
76. Gemini Fashions	microfibre fabrics, waterproof by construction not by coating	5801.25.20	25%	part	X	X					
77. Carsilco International Inc.	corduroy of any fibre content	5801.32.00	25%	part	X						

78.	Playtex Apparel Canada Ltd.	tweave - a two way stretch quadrilobal fabric	5803.90.90	25%	part	X			
79.	Canadian Glove Manufacturers Association Ltd.	cotton and polyurethane foams for use in the manufacture of work gloves	5903.20.10	22.5%	part	X	X	(e)	
80.	Gemini Fashions	branded, breathable and waterproof polyurethane coated, trilobal nylon	5903.20.30	25%	part	X	X		
81.	Gemini Fashions	washer finish polyurethane coated texturized nylon	5903.20.30	25%	part	X	X		
82.	Playtex Apparel Canada Ltd.	spanette - a nylon rubber stretch fabric	5906.91.20	25%	part	X			
83.	Carsilco International Inc.	cotton velveteen	6001.21.00	25%		X	X		
84.	Canadian Glove Manufacturers Association Ltd.	100% knitted cotton fabrics for use in the manufacture of work gloves	6001.21.00	25%	part	X	X	(e)	X
85.	Carsilco International Inc.	cotton velveteen	6001.91.00	25%	X	X			
86.	Raval Lace Company (Canada) Inc.	semi-finished Raschel lace	6002.20.00	various	part	X	X	(e)	
87.	Canadian Glove Manufacturers Association Ltd.	knitted fleece, 100% cotton for use in the manufacture of work gloves	6002.42.90	25%	part	X	X	(e)	X
88.	Gemini Fashions	dacron-polyester fleece fabrics	6002.43	various	part	X	X	(e)	X
89.	Raval Lace Company (Canada) Inc.	semi-finished Raschel lace	6002.43.00	various	part	X	X	(e)	
90.	Canadian Glove Manufacturers Association Ltd.	glove liners - 100% cotton for use in the manufacture of work gloves	6116.92.00	25%	part	X	X	(e)	X
91.	Canadian Glove Manufacturers Association Ltd.	glove liners - cotton and polyurethane foam for use in the manufacture of work gloves	6116.93.00	25%	part	X	X	(e)	
92.	Canadian Glove Manufacturers Association Ltd.	glove liners - 100% cotton for use in the manufacture of work gloves	6216.00.00	25%	part	X	X	(e)	X

LIST 1. ALL TARIFFS

Request made by:	Product Description	HS	Rate	All or Part of Tariff Item	Opposed to Elimination of Tariffs						
					Canadian Textiles Institute	Consoltext	Dominion Textile	Du Pont Canada	Hunting-don Mills	Brownco Textiles	W. Coast Woollen Mills
Tariff Classification not Given:											
93. Canadian Apparel Manufacturers Institute	textile yarns and filaments, certain fabrics and yarns				X	X	X				
94. Carsilco International Inc.	yarns and greige fabrics				X	X	X		X		
95. Carsilco International Inc.	fine filament polyester yarns				X	X					
96. Flamcan Inc.	fabrics not produced in Canada				X	X					
97. Doubletex Inc.	greige fabrics, 100% man-made fibres				X	X	X		X		
98. Doubletex Inc.	greige fabrics, polyester/cotton				X	X	X		X		
99. Algo Industries Ltd.	various "novelty" fabrics				X	X					
100. R. A. de Barros Textile Mill	knitted 100% polyester yarns for 3-dimensional fabric				X		X				
101. R. A. de Barros Textile Mill	3-dimensional simplex knit				X		X				
102. R. A. de Barros Textile Mill	cut-press fabric - made of cotton and polyester yarns				X	X	X				

- (a) These codes refer to cotton yarn (other than sewing thread) put up for retail sale.
 (b) Doubletex Inc. proposed an intermediate solution based on tariff relativity.
 (c) Would need sample of the fabric in order to provide a more detailed response.
 (d) Opposed except for black polyester tow.
 (e) Only a thorough analysis of the purpose of the concessionary items could determine if any one request has no negative impact on the domestic industry.

**REQUESTS FOR ACCELERATED ELIMINATION OF TARIFFS UNDER THE CANADA-UNITED STATES FREE TRADE AGREEMENT
PUBLISHED IN THE CANADA GAZETTE OF JULY 15, 1989,
BY PARTIES ALSO MAKING SUBMISSIONS TO THE CANADIAN INTERNATIONAL TRADE TRIBUNAL**

LIST 2. FTA PROCESS

Request made by:	Product Description	HS	Rate	All or Part of Tariff Item	Opposed to Accelerated Elimination of Duties				
					Canadian Textiles Institute	Consoltex	Dominion Textile	Du Pont Canada	Waterloo Textiles
1. Canadian Council of Furniture Manufacturers	upholstery fabrics	51.11	various	part	X	X			
2. Cleyn & Tinker Inc.	woven wool-rich fabrics	51.11	various	all	(a)				
3. Canadian Council of Furniture Manufacturers	upholstery fabrics	51.12		part	X	X			
4. Cleyn & Tinker Inc.	woven wool-rich fabrics	51.12	various	all	(a)				
5. Canadian Council of Furniture Manufacturers	upholstery fabrics	51.13	various	part	X	X			
6. Canadian Council of Furniture Manufacturers	upholstery fabrics	52.08	various	part	X	X	(b)		
7. Canadian Council of Furniture Manufacturers	upholstery fabrics	52.09	various	part	X	X	(c)		
8. Canadian Council of Furniture Manufacturers	upholstery fabrics	52.10	various	part	X	X	(d)		
9. Canadian Council of Furniture Manufacturers	upholstery fabrics	52.11	various	part	X	X	(e)		
10. Canadian Council of Furniture Manufacturers	upholstery fabrics	52.12	various	part	X	X			
11. Canadian Council of Furniture Manufacturers	upholstery fabrics	53.09	various	part	X	X			
12. Canadian Council of Furniture Manufacturers	upholstery fabrics	53.10	17.5%	part	X	X			
13. Canadian Council of Furniture Manufacturers	upholstery fabrics	53.11	13.5%	part	X	X			

LIST 2. FTA PROCESS

Request made by:	Product Description	HS	Rate	All or Part of Tariff Item	Opposed to Accelerated Elimination of Duties				
					Canadian Textiles Institute	Consoltex	Dominion Textile	Du Pont Canada	Waterloo Textiles
14. Du Pont Canada Inc.	high tenacity nylon filament yarns, less than 800 decitex, singles, flat, fully drawn, with producer twist not exceeding 40 turns per m	*5402.10.00	10%+11¢/kg	part	(a)		(f)		
15. Du Pont Canada Inc.	high tenacity aramid filament yarn	*5402.10.00	10%+11¢/kg	part	(f)		(f)		
16. Firestone Textiles Company	high tenacity nylon yarns for use in tire cord fabric	*5402.10.00 0965 3630	10%+11¢/kg 12.5% 7.5%	part	X		(f)		
17. Du Pont Canada Inc.	high tenacity aramid filament yarn, singles, untwisted or with a twist less than 5 turns per metre	*5402.10.00	10%+11¢/kg	part	(f)		(f)		
18. Consoltex Canada Inc.	high tenacity nylon filament yarn	*5402.10.00	10%+11¢/kg	part	X		(f)		
19. Du Pont Canada Inc.	high tenacity polyester filament yarns, singles, flat, fully drawn, with producer twist not exceeding 40 turns per metre (g)	*5402.20.00	10%+11¢/kg	part	(a)		(f)		
20. Firestone Textiles Company	high tenacity polyester yarns for use in tire cord fabric (g)	*5402.20.00 0965	10%+11¢/kg 12.5%	part	X		(f)		
21. Consoltex Canada Inc.	flat polyester filament yarns (g)	*5402.20.00	10%+11¢/kg	part	X		(f)		
22. Consoltex Canada Inc.	textured polyester filament yarns	5402.33.00	10%+11¢/kg	all	X				
23. Du Pont Canada Inc.	partially oriented nylon yarn	*5402.41.00	10%+11¢/kg	part	(f)				
24. Du Pont Canada Inc.	aramid filament yarn, single, untwisted or with a twist not exceeding 50 turns per metre, not high tenacity, not textured	*5402.41.00	10%+11¢/kg	part	(f)				
25. Du Pont Canada Inc. Consoltex Canada Inc.	nylon filament yarns, singles, untwisted or with a twist less than 5 turns per metre, not high tenacity, not textured	*5402.41.00	10%+11¢/kg	part	(f)				

26. Consoltex Canada Inc.	nylon filament yarns, single, untwisted or with a twist not exceeding 50 turns per metre, not high tenacity, not textured	*5402.41.00	10%+11¢/kg	part	(f)			
27. Celanese Canada Inc.	partially oriented polyester yarn	*5402.42.00	10%+11¢/kg	part	(f)			
28. Firestone Textiles Company	polyester yarns for use in tire cord fabric	*5402.43.00 4120	10%+11¢/kg Free	part	X			
29. Consoltex Canada Inc.	flat polyester filament yarn	*5402.43.00	10%+11¢/kg	all	X			
30. Du Pont Canada Inc.	spandex filament yarns, singles, untwisted	*5402.49.00	10%+11¢/kg	part	(a)			
31. Du Pont Canada Inc.	polytetrafluoroethylene (teflon) filament yarn, singles, untwisted or with a twist not exceeding 50 turns per metre	*5402.49.00	10%+11¢/kg	part	(f)			
32. Du Pont Canada Inc.	aramid filament yarn, singles, with a twist exceeding 50 turns per metre	*5402.51.00	10%+11¢/kg	part	(f)	(h)	X	X
33. Consoltex Canada Inc.	nylon filament yarns, singles, with a twist exceeding 50 turns per m	*5402.51.00	10%+11¢/kg	part	(f)		X	X
34. Consoltex Canada Inc.	flat polyester filament yarn	5402.52.00 4120	10%+11¢/kg Free	all	X			
35. Du Pont Canada Inc.	polytetrafluoroethylene (teflon) filament yarn, singles, with a twist exceeding 50 turns per m	*5402.59.00	10%+11¢/kg	part	(f)	(i)	X	X
36. Du Pont Canada Inc.	aramid filament yarn, multiple (folded) or cabled	*5402.61.00	10%+11¢/kg	part	(f)	(j)	X	X
37. Consoltex Canada Inc.	nylon filament yarn, multiple (folded) or cabled	*5402.61.00	10%+11¢/kg	part	(f)		X	X
38. Consoltex Canada Inc.	flat polyester filament yarn	5402.62.00 4120	10%+11¢/kg Free	all	X			
39. Du Pont Canada Inc.	polytetrafluoroethylene (teflon) filament yarn, multiple (folded) or cabled	*5402.69.00	10%+11¢/kg	part	(f)	(k)	X	X
40. Consoltex Canada Inc.	nylon filament fabrics for typewriter and computer ribbons	*5407.41.00 1821	25% Free	part	(a)		X	

LIST 2. FTA PROCESS

Request made by:	Product Description	HS	Rate	All or Part of Tariff Item	Opposed to Accelerated Elimination of Duties					
					Canadian Textiles Institute	Consoltex	Dominion Textile	Du Pont Canada	Waterloo Textiles	Brownco Textiles
41. Du Pont Canada Inc.	aramid staple fibre, not carded or combed	*5503.10.00	8.5%	part	(f)			(l)		
42. Du Pont Canada Inc.	polytetrafluoroethylene (teflon) staple fibre, not carded or combed	*5503.90.00	8.5%	part	(f)					
43. Celanese Canada Inc.	vinyon staple fibre, not carded or combed	*5503.90.00	8.5%	part	(f)					
44. Celanese Canada Inc.	polybenzimidazole (PBI) staple fibre, not carded or combed	*5503.90.00	8.5%	part	(f)					
45. Du Pont Canada Inc.	aramid staple fibre, carded or combed	*5506.10.00	8.5%	part	(f)					
46. Du Pont Canada Inc.	polytetrafluoroethylene (teflon) staple fibre, carded or combed	*5506.90.00	8.5%	part	(f)			(m)		
47. Celanese Canada Inc.	vinyon staple fibre, carded or combed	*5506.90.00	8.5%	part	(f)					
48. Celanese Canada Inc.	polybenzimidazole (PBI) staple fibre, carded or combed	*5506.90.00	8.5%	part	(f)					
49. Milliken Industries of Canada Ltd.	multiple (folded), type 6, 6 nylon staple fibre yarn, not less than 4.25 twists per inch, for use in the manufacture of fusion bonded carpet tile not exceeding .3 m	5509.12.00	10%+11¢/kg	part	X		X	X		
50. Canadian Council of Furniture Manufacturers	upholstery fabrics	55.12	25%	part	X	X				
51. Canadian Council of Furniture Manufacturers	upholstery fabrics	55.13	25%	part	X	X				
52. Canadian Council of Furniture Manufacturers	upholstery fabrics	55.14	25%	part	X	X	(n)			
53. Canadian Council of Furniture Manufacturers	upholstery fabrics	55.15	25%	part	X	X				
54. Cleyne & Tinker Inc.	woven fabrics of man-made fibres and wool	5515.13.00	25%	all	(o)	X				

55. Cleyn & Tinker Inc.	woven fabrics of man-made fibres and wool	5515.22.00	25%	all	(o)	X		
56. Cleyn & Tinker Inc.	woven fabrics of man-made fibres and wool	5515.92.00	25%	all	(o)	X		
57. Canadian Council of Furniture Manufacturers	upholstery fabrics	55.16	25%	part	X	X	(p)	
58. Cleyn & Tinker Inc.	woven fabrics of man-made fibres and wool	5516.31.00	25%	all	(o)	X		
59. Cleyn & Tinker Inc.	woven fabrics of man-made fibres and wool	5516.32.00	25%	all	(o)	X		
60. Cleyn & Tinker Inc.	woven fabrics of man-made fibres and wool	5516.33.00	25%	all	(o)	X		
61. Cleyn & Tinker Inc.	woven fabrics of man-made fibres and wool	5516.34.00	25%	all	(o)	X		
62. Du Pont Canada Inc.	poly (m-phenylene isophthalamide) nonwoven sheet	5603.00.00	24.8%	part	X			
63. Du Pont Canada Inc.	nonwovens of polyethylene	5603.00.00	24.8%	part	X			
64. Canadian Council of Furniture Manufacturers	upholstery fabrics	58.01	various	part	X	X		
65. Canadian Council of Furniture Manufacturers	upholstery fabrics	58.02	various	part	X	X		
66. Canadian Council of Furniture Manufacturers	upholstery fabrics	58.09	25%	part	X	X		
67. Firestone Textiles Company	nylon tire cord fabric	5902.10.00	12.5%	part	X		(f)	X
68. Firestone Textiles Company	polyester tire cord fabric	5902.20.00	12.5%	part	X		(f)	
69. Canadian Council of Furniture Manufacturers	upholstery fabrics	5906.91	various	part	X	X		
70. Canadian Council of Furniture Manufacturers	upholstery fabrics	5906.99	various	part	X	X		
71. Canadian Council of Furniture Manufacturers	upholstery fabrics	60.01	25%	part	X	X		

LIST 2. FTA PROCESS

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Request made by:	Product Description	HS	Rate	All or Part of Tariff Item	Opposed to Accelerated Elimination of Duties					
					Canadian Textiles Institute	Consoltex	Dominion Textile	Du Pont Canada	Waterloo Textiles	Brownco Textiles
72. Canadian Council of Furniture Manufacturers	upholstery fabrics	60.02	various	part	X	X				

- (a) Would agree contingent on reciprocal access to the US market.
- (b) Products classifiable to HS 5208.00.00; 5208.11.90; 5208.13.00; 5208.22.00; 5208.22.90 and 5208.29.00 "are manufactured in one or a number of our Canadian plants ... and/or could be produced in these plants, and/or are direct substitutes for products made in these plants."
- (c) Products classifiable to HS 5209.11.00; 5209.21.00; 5209.41.00 and 5209.49.00 "are manufactured in one or a number of our Canadian plants ... and/or could be produced in these plants, and/or are direct substitutes for products made in these plants."
- (d) Products classifiable to HS 5210.31.00 "are manufactured in one or a number of our Canadian plants ... and/or could be produced in these plants, and/or are direct substitutes for products made in these plants."
- (e) Products classifiable to HS 5211.41.00 and 5211.49.00 "are manufactured in one or a number of our Canadian plants ... and/or could be produced in these plants, and/or are direct substitutes for products made in these plants."
- (f) Would agree.
- (g) Previously listed as HS 5402.10.00.
- (h) Not to include "Filament nylon, untextured, not high tenacity, twisted."
- (i) Not to include "Other synthetic filament yarn, twisted."
- (j) Not to include "Filament nylon, untextured, not high tenacity, folded."
- (k) Not to include "Other synthetic filament yarn, folded."
- (l) Not to include "Nylon staple whether or not carded or combed."
- (m) Not to include "Other synthetic staple fibres, carded or combed."
- (n) Products classifiable to HS 5514.31.00; 5514.33.00 and 5514.39.00 "are manufactured in one or a number of our Canadian plants ... and/or could be produced in these plants, and/or are direct substitutes for products made in these plants."
- (o) Would agree subject to specification of a minimum wool content.
- (p) Products classifiable to HS 5516.13.00 "are manufactured in one or a number of our Canadian plants ... and/or could be produced in these plants, and/or are direct substitutes for products made in these plants."

*Tariff lines and products for which Canada and the United States have agreed to accelerate the elimination of the tariff.

PART B: BACKGROUND PAPERS

I — SUMMARY OF RESEARCH PROGRAM

1. Purpose and Scope

When the Tribunal was asked by the Minister of Finance to undertake an inquiry into textile tariffs, it directed its research staff to prepare a comprehensive research program. The primary purpose of the program was to provide the Tribunal and interested parties with factual information on matters having a bearing on the inquiry. This research, along with testimony and submissions by parties, was to provide the factual basis from which the Tribunal could develop its recommendations.

The staff was directed to investigate several areas. The most important were the following:

- the economic and financial performance of Canadian manufacturers and users of textile products;
- comparisons of textile tariffs in Canada, the United States and other industrialized countries; and
- the economic impact and benefits and costs of reductions in tariffs.

There were a number of important issues that would have a bearing on establishing and understanding the facts. These included:

- Voluntary Export Restraints (VERs) on textiles and clothing applied by Canada, the United States and other industrialized countries under the MFA; and
- the current multilateral trade negotiations (MTN) and possible changes they may bring in the trading regime for textiles and clothing.

Several other issues were considered relevant when the research program was developed or were identified by parties during the hearings as needing study. These included:

- sources and trends of imports into Canada;
- the state of technological development in the textile and textile-using industries in Canada and the world;
- the structure and performance of the textile and downstream industries in other industrialized countries and, particularly, the United States;
- the government's proposed goods and services tax (GST); and
- the US Section 807 provision.

The staff prepared an outline of the research program for consideration at the March preliminary public hearing. This document described in detail how the staff intended to proceed, the issues to be studied, the data to be used and the kind of expertise that would be needed. The program was divided into two phases. The first involved an analysis of the relevant facts concerning textile tariffs and production and trade of textile and downstream industry products in Canada and other industrialized countries. On the basis

of these facts, the staff was to undertake an assessment of the economic impact and benefits and costs of tariff reductions. Parties made several suggestions at the March hearing on how the program should be conducted and on what issues should be given greater emphasis. At the June hearing, parties once again made additional suggestions on the direction and substance of the program over its final phase leading up to the October hearing.

The program facing the staff was of such a magnitude that resources and expertise beyond those available within the Tribunal had to be mobilized. Major segments of the program were contracted out to consultants having renowned expertise in the areas of work that they were commissioned to complete. In the later stages of the program, the Tribunal engaged, through secondments and contracts, additional staff who were dedicated primarily to the analysis of the performance of the textile and downstream industries.

2. Assembling the Data and Facts

One of the major challenges facing the staff was to obtain reliable and up-to-date information on production, employment and other indicators, as well as markets for textile and downstream industries. Data from Statistics Canada provided broad indicators on production which served as a basis for analyzing industrial structure and performance. Because the central focus of the inquiry was tariffs, it was indispensable to have a database for production which corresponded as closely as possible to the level of detail considered in the assessment of tariffs. Unfortunately, Statistics Canada does not survey the industries at this level of detail. Surveys carried out by other government agencies or departments were also not structured according to the industry product groupings that were suited to the purposes of the analysis that needed to be carried out. Accordingly, the Tribunal had its research staff undertake a comprehensive questionnaire survey of manufacturers, importers and retailers of textiles and products for which textiles are major inputs.

In February 1989, the research staff prepared drafts of the following eight questionnaires:

- Manufacturers of Textiles
- Distributors¹ of Textiles
- Manufacturers of Clothing, Clothing Accessories and Consumer Textile Products
- Distributors of Clothing, Clothing Accessories and Consumer Textile Products
- Manufacturers of Upholstered Furniture
- Distributors of Upholstered Furniture
- Manufacturers of Mattresses
- Distributors of Mattresses

1. Distributors include importers, wholesalers and retailers.

During the month of February, the research staff consulted with national and regional associations representing firms in the industries that were to be surveyed to obtain their views on the draft questionnaires. As a result of these consultations, a number of changes were made, and, on February 23, 1989, the final questionnaires were sent out.

Data on the industries were only one of the basic information requirements for the program. Statistics Canada and United Nations Trade Data were assembled and aggregated to correspond to industry groupings set out in the Tribunal's survey of industries.

Finally, it should be noted that many members of the staff that worked on the inquiry had the opportunity of visiting one or more firms as part of the program of visits by panel members.

3. Research Papers¹

(a) The June Hearing

Several background papers were prepared for the June hearing. One paper compared tariffs on textiles in Canada, the United States, the EEC and Japan and gave an historical review of tariffs on textile products. Another described the structure of the Canadian textile and downstream industries and set out and analyzed various indicators of performance drawn mainly from government publications. This paper also described the institutional regime for textiles and clothing in Canada including tariffs, VERs and government assistance. A third paper focused mainly on trade in textile and clothing products. It also included a description of the MFA and a brief review of textile and clothing production in other countries. Finally, a fourth paper set out various approaches for assessing the economic impact of reductions in tariffs for textile products.

(b) The October Hearing

Taking account of comments by parties at the June hearing and during the summer, the staff embarked on the final phase of its research program. By late July, sufficient responses to the Tribunal's survey had been received to start on what was by far the most challenging aspect of the program - an analysis of the structure and performance of the textile and textile-using industries in the period 1984-88. Work was allocated between research staff and consultants, taking account of expertise and human resources available within the Tribunal.

Five staff papers and eight consultant reports were prepared for the October hearing. They can be consulted in the library of the CITT. Their titles and synopses are set out below.

(i) Consultant Papers

Clarkson Gordon:² Financial Analysis of the Canadian Textile and Downstream Industries, 1984 to 1988.³ The objective of the Clarkson Gordon study was to assess the financial performance of the Canadian textile and downstream industries. The study

1. A full list of staff research papers can be found in Part B, Section III of this volume.

2. As of October 1, 1989, Clarkson Gordon and Woods Gordon became part of Ernst and Young.

3. This study included the financial database developed for the purposes of the analyses. Clarkson Gordon also developed a financial simulation model used to estimate the financial effects of tariff reductions.

involved an analysis and assessment of a sample of financial statements provided by firms to the CITT. Clarkson Gordon concluded that the survey results suggested that the textile industry showed considerable strength in its financial performance during the period 1984-88, outperforming the manufacturing sector as a whole and its US counterpart industry on key measures of profitability. The survey data also showed the clothing industry to be highly profitable over the 1984-88 period.

Informetrica Limited: The Impact of Tariff Reductions on the Textile and Downstream Industries: An Econometric Study. Informetrica Limited was commissioned to construct a database and econometric model for 10 industries that were either producers or users of textiles. The model was used to simulate the economic effect of the textile tariff reduction options developed by the staff, with variations in the size and speed of the reductions. The simulation results were used in the benefit-cost analysis prepared by Abt Associates of Canada. The econometric model was also used to assess the economic effects of the Tribunal's tariff recommendations.

Abt Associates of Canada and D.G. McFetridge: An Assessment of the Benefits and Costs of Tariff Reductions in the Canadian Textile Industry. Abt Associates of Canada was commissioned to develop a benefit-cost framework to assess the separate components of the benefits and costs flowing from the staff's textile tariff reduction options. For each set of reductions, a range of benefits was estimated using three different assumptions for the price response of the domestic industry to lower textile tariffs. The costs of the tariff reduction were estimated including the net adjustment costs for workers arising from the lower level of employment in the industries directly affected. The entire stream of future benefits and costs was expressed as a single present value, consistent with standard practice in the field of benefit-cost analysis. This framework was also used to estimate the benefits and costs of the Tribunal's tariff recommendations.

Tim Hazeldine and Bernard Lapointe: Two Trade Policy Simulation Models for Textiles and Downstream Industries in Canada. Hazeldine and Lapointe were commissioned to develop a small model which used assumed behavioral responses to assess the economic effects of a tariff reduction at the industry and subindustry levels. For the hearing in October, a case study was prepared to estimate the effect of the staff's tariff reduction Option A of 33 percent for textile imports from the rest of the world. Several members of the Research Branch made significant contributions to the development and use of the model.

Werner International Management Consultants: "Downstream" Textiles Industries - "Descriptive Analyses." Werner International Management Consultants was commissioned to analyze the data obtained from the CITT survey of clothing and home furnishings firms, except from firms producing consumer textile products. Major areas of analysis included textile input sourcing, composition and costs of production, and changes in distribution patterns, employment, investment and operating margins.

Campbell S. Stuart: Canada's Voluntary Export Restraint Regime and Review of the Voluntary Export Restraint Regimes - Canada and the USA. Brenda Jacobs (Sharretts, Paley, Carter & Blauvelt, P.C.): Description of the Voluntary Export Restraint Regime of the U.S.A. The works by Stuart and Jacobs contained a description of the VER regimes in place in Canada and the United States. These descriptions took the form of short narratives explaining the basic characteristics of the two countries' regimes and detailed restraint summaries and restraint utilization tables for the review period 1984-88. The Canadian report also included 59 apparent Canadian market tables depicting, wherever possible, aggregate imports of the products under restraint with the aggregate restraint levels; the distribution of imports between restrained sources, other "low-cost" sources (developing

countries) and developed countries; the apparent Canadian market (ACM), made up of Canadian domestic shipments less exports plus imports (1984 to 1987); the share thereof of Canadian producers and imports (by the above categories); and, where available, the average unit values of both imports (by category) and domestic shipments.

The Review of the Voluntary Export Restraint Regimes - Canada and the USA by Stuart served to highlight that the US and Canadian-controlled product categorization systems are "very different and generally non-equivalent," making "any comprehensive quantitative analysis extremely difficult, if not impossible." The comparative analysis was therefore "mainly qualitative rather than quantitative" and presented no conclusions. It was noted that there are certain significant differences in the environment (e.g., industrial structure, political clout and market power) in which the two regimes have evolved.

Murray G. Smith and Jean-François Bence, Institute of Research on Public Policy (IRPP): Tariff Equivalents for Bilateral Export Restraints on Canada's Textile and Apparel Trade: Analytical Issues, Measurement Methodologies and Selected Estimates. The IRPP conducted a critical review of current literature pertaining to tariff equivalents of VERs noting the analytical issues and measurement methodologies involved in empirical analysis of tariff equivalents. As a result of this study, tariff equivalents for Canadian VER arrangements respecting clothing trade with Hong Kong, were calculated on the basis of quota premia for clothing export licences sold in Hong Kong. Unfortunately, similar data were not available to calculate the tariff equivalents of textile VERs. The work by the IRPP demonstrated that there is no ideal method of measuring the tariff equivalent of VERs and that there are serious data considerations and institutional factors which may influence the feasibility of implementing particular measurement methodologies. Calculation of tariff equivalents for the restraints on textiles presents particular difficulties due to the more concentrated nature of the industry. Even where tariff equivalents of VERs can be estimated, it was concluded that they provide only "a series of snapshots which measure the current effects upon Canadian import prices of the web of bilateral restraints negotiated under the MFA." Both the literature review and actual calculation of tariff equivalents for clothing clearly illustrated that the tariff equivalent of a quantitative restriction varies over time as market conditions change.

(II) Staff Papers

The five papers issued by the staff were as follows.

- (a) The Role of Major Companies. On the basis of testimony, replies to the questionnaires and public documents, this paper provided business and financial facts on five major textile manufacturers and three major clothing firms. The paper set out the scope of their activities, their financial performance and the strategies they are pursuing.
- (b) Textile Industry and Product Profiles 1984-1988. This paper reported on the staff's analysis of the responses to the textile manufacturers' questionnaire. Both protected and public versions of the document were prepared. The objective of the analysis was to obtain current factual data relating directly to those industries subject to potential tariff reductions. The paper described 20 textile sectors and 57 product profiles. Major areas of analysis included apparent Canadian markets, gross margins, costs of production, capacity utilization, new investment, employment and wages, labor productivity and sales distribution.
- (c) Consumer Textile Products Sector. This paper reported on the staff's analysis of the responses to the consumer textile product manufacturers' questionnaire. Both protected and public versions of the document were prepared. The objective

of this analysis was to obtain current factual data relating directly to the downstream industry of consumer textile products. The paper covered four major product groups, with the responding firms accounting for almost half of the shipments made by the consumer textile product industry and nearly all shipments of bed linen and towels. Major areas of analysis included apparent Canadian markets, gross margins, costs of production, textile input sourcing, capacity utilization, new investment, employment and wages, labor productivity and sales distribution.

- (d) **Trade Analysis.** This paper provided an analysis of imports and exports of textile and downstream industry products during the period 1984-88. The analysis was based on trade data converted to a common HS basis. Product groupings for textiles were structured to correspond to those used in the textile industry and product profiles.
- (e) **Analysis and Assessment.** This paper brought together in a single document the main findings set out in other staff papers and reports by consultants. In addition, it included an analysis of testimony at the June hearing highlighting the main positions taken by parties. A large part of the paper dealt with tariff comparison issues and the development of tariff reduction options. The effects of these tariff reduction options at the tariff item level were set out in a separate annex. Finally, the paper reviewed three issues raised in the course of the inquiry and discussed how they related to the reference given to the Tribunal. These included the Uruguay Round of the MTN, GST and the US Section 807 provision.

4. Review of Research Papers: October Hearing

Most of the October hearing was devoted to a review of the research papers. Their authors, both research staff and consultants, presented the highlights of the results and the methodologies employed. Parties and panel members extensively questioned staff and consultants. This public review and cross-examination of the research program provided the panel with a better basis for assessing the validity of the work that had been done and for developing its recommendations.

II — TECHNICAL ISSUES AND BASIC STATISTICS

This section discusses a number of technical issues raised by interested parties or identified by the Tribunal as having a bearing on the understanding or interpretation of the facts relevant to the inquiry. Also included in this section are background statistics used to compile the figures and tables referred to in Volume 1 of this report.

1. Estimation of Shipments, Real Domestic Product and Employment for the Textile Industry Defined for Purposes of the Tariff Inquiry

The Tribunal defined the textile industry to include only the fibre, yarn and fabric components of the broader textile industry. In terms of SIC categories, the four component groups of the **SIC primary textile industry** are included: the man-made fibre and filament yarn industry, the wool yarn and woven cloth industry, the other spun yarn and woven cloth industries, and the broad knitted fabric industry. As well, the specialty fibre, yarn and fabric components of the **SIC textile products industry** are included: the natural fibres processing and felt products industry, the narrow fabric industry, the tire cord fabric industry and the thread component of the "other textile products" industries. And finally, the coated fabric component of the floor tile, linoleum and coated fabric industry is included in this definition of the textile industry.

(a) Shipments

Shipment data were sourced principally from Statistics Canada Catalogues 34-250 (Primary Textile Industries) and 34-251 (Textile Products Industries). However, shipment data for the tire cord fabric, thread and coated fabric industries were not available from Statistics Canada sources. Shipment data for these products were estimated on the basis of shipment and coverage information from the Textile Industry and Product Profiles, 1984-1988. Table II-1A shows the shipment data used in deriving the shipment estimate for the textile industry as defined for purposes of this inquiry.

(b) Real Domestic Product

Real domestic product (RDP) data were sourced from Statistics Canada Catalogue 15-001 (Gross Domestic Product by Industry) and CANSIM Matrix 4664.¹ Data were not available for the natural fibres processing and felt products, narrow fabric, tire cord fabric, thread and coated fabric industries. For these industries, RDP was estimated from the miscellaneous textile industry RDP on the basis of shipment value. Table II-1B shows the RDP data used in deriving the RDP estimate for the textile industry as defined for purposes of this inquiry.

(c) Employment, 1984-86

Employment data for textiles for the years 1984 through 1986 were sourced principally from the Census of Manufactures (Statistics Canada Catalogue 31-203 Manufacturing

1. These sources and Table II-1B provide real domestic product data in constant 1981 dollars. These data were converted to constant 1988 dollars in Tables 2.4 and 2.6 of Volume 1 using industry price indexes contained in Statistics Canada Catalogue 62-001.

Industries of Canada: National and Provincial Areas). However, employment data for the tire cord fabric, thread and coated fabric industries were not available from this source. Employment for these industries was estimated from the employment data and coverage assessment contained in the Textile Industry and Product Profiles, 1984-1988. Table II-1C shows the employment data used to derive the employment estimates for the textile industry as defined for purposes of this inquiry.

BASIC STATISTICAL TABLE FOR TABLE 2.3 OF VOLUME 1

Table II-1A					
TEXTILE INDUSTRY SHIPMENTS					
1984-88					
(Millions of Dollars)					
	1984	1985	1986	1987	1988
Primary Textiles	2,729.3	2,669.8	2,957.4	3,232.3	3,311.4
Natural Fibres Processing and Felt Products	111.0	113.3	126.5	132.4	142.2
Narrow Fabrics	110.7	108.6	110.5	121.2	132.1
Tire Cord Fabrics					
Thread Component of Other Textiles	229.2 ^e	256.8 ^e	261.2 ^e	291.0 ^e	299.3 ^e
Coated Fabrics					
Textiles (CITT)	3,180.2	3,148.5	3,455.6	3,776.9	3,885.0
Notes: Data from Statistics Canada Catalogues 34-250 and 34-251. e = Estimated data based on the <u>Textile Industry and Product Profile</u> paper.					

Other employment figures used in Chapter II of Volume 1, including those for the downstream industries of clothing, home furnishings and total Canadian manufacturing, are also from the Census of Manufactures.

(d) Employment Estimates - 1988

Employment figures for 1988 were estimated as they are not yet available from the Census of Manufactures. The 1986 employment figures for textiles (SIC 18 and 19), clothing, home furnishings and total manufacturing were adjusted to reflect the growth in employment in these industries during the period 1986-88, as indicated by the growth in the Statistics Canada Labor Force Survey. Since Labor Force Survey figures are not available for primary textiles (SIC 18) or textile products (SIC 19), the 1988 employment estimates for these industries and the textile industry, as defined for purposes of this

BASIC STATISTICAL TABLE FOR TABLE 2.4 OF VOLUME 1

Table II-1B					
TEXTILE INDUSTRY REAL DOMESTIC PRODUCT					
1984-88					
(Millions of 1981 Dollars)					
	1984	1985	1986	1987	1988
Primary Textiles	934.8	938.3	1,108.6	1,220.2	1,258.8
Natural Fibres Processing and Felt Products					
Narrow Fabrics					
Tire Cord Fabrics	142.8 ^e	135.4 ^e	133.4 ^e	142.9 ^e	146.2 ^e
Thread Component of Other Textiles					
Coated Fabrics					
Textiles (CITT)	1,077.6	1,073.7	1,242.0	1,363.1	1,405.0

Notes: Data from Statistics Canada Catalogue 15-001 and CANSIM Matrix 4664.
e = When data were available for specific SICs only in aggregate format, RDP was estimated on the basis of shipment value.

BASIC STATISTICAL TABLE FOR TABLES 2.4 AND 2.6 OF VOLUME 1

Table II-1C			
EMPLOYMENT: TEXTILE, CLOTHING, HOME FURNISHINGS AND			
TOTAL MANUFACTURING INDUSTRIES			
1984-86			
	1984	1985	1986
Primary Textiles	28,117	26,758	26,208
Natural Fibres and Felt	1,259	1,224	1,295
Narrow Fabrics	2,028	1,948	1,882
Tire Cord Fabrics			
Sewing Threads	2,272 ^e	2,297 ^e	2,261 ^e
Coated Fabrics			
Textiles (CITT)	33,676	32,227	31,646
Clothing	110,634	110,910	113,649
Home Furnishings	23,683	23,747	24,544
Total Manufacturing	1,722,045	1,766,763	1,808,716

Note: Data from Statistics Canada Catalogue 31-203.
e = Estimated data based on the Textile Industry and Product Profile paper.

inquiry, were derived from the growth in the overall textile industry employment (SIC 18 and 19).

In addition to estimating the 1988 employment on the basis of the growth in the Labor Force Survey, employment was also estimated on the basis of the 1986-88 growth in RDP and the 1986-88 growth in real shipments. Employment estimated on the basis of the 1986-88 growth in the Labor Force Survey was considered the most reliable, as it captures changes in labor productivity. (See Table II-1D)

BASIC STATISTICAL TABLE FOR TABLES 2.1, 2.4 AND 2.6 AND FIGURE 2.5 OF VOLUME 1

Table II-1D				
EMPLOYMENT ESTIMATES: TEXTILE, CLOTHING, HOME FURNISHINGS AND TOTAL MANUFACTURING INDUSTRIES				
1988				
	1986	1988 Estimates		
		Labor Force Survey Basis	RDP Basis	Real Shipment Basis
Primary Textiles	26,208	28,136	29,759	27,634
Textile Products	32,981	33,328	35,441	36,002
Textiles (CITT)	31,646	32,862	35,799	33,500
Clothing	113,649	120,030	112,697	113,075
Home Furnishings	24,544	25,487		
Total Manufacturing	1,808,716	1,913,292	2,029,313	1,923,524

2. Issues In the Measurement of Shipments and Imports at the Same Level of Trade

The valuation of imports is an issue in the construction of apparent market tables expressed on a dollar basis. Apart from the analytical value of presenting market tables on this basis, it is often the only practical alternative when standardized physical measures (i.e., square metres of fabric or kilograms of yarn) do not exist across a wide spectrum of products as is the case, for example, with the products that fall within the terms of reference of this inquiry. For the same reason, dollar-based market tables are used where common units of measurement are needed to enable inter-industry comparisons. In Chapter II of Volume 1, market tables have been compared among the textile, clothing and all manufacturing industries.

Canadian import statistics are compiled and reported on a current basis by Statistics Canada on a free on board basis (FOB). This generally means that imports are valued at the point of direct shipment to Canada. Canadian shipments and export data are compiled by Statistics Canada on the basis of the net selling value of goods made by reporting establishments, including transfers to other reporting establishments of the same firm. The selling value excludes, among other things, discounts, taxes and freight charges, but includes delivery expenses incurred by the reporting firm. These readily available Statistics Canada measures of shipments, imports and exports have been used throughout this report, unless a different method of measurement was specified.

However, the share of the Canadian market held by imports may be understated if imports are measured on an FOB basis. To be directly comparable with domestic goods valued at net sales value, import values would have to be inflated to reflect the additional costs of insurance and freight to Canada and duty charges that would be directly incurred by an importer of goods. Additional indirect charges, such as buying trips or agent fees, the expense of letters of credit, and the mark-ups of importers, may also affect comparability.

Statistics Canada estimates imports valued on a CIF duty-paid basis in its Input-Output Tables. This information has been used to provide an alternative measure of import penetration for textiles, clothing and all manufacturing that incorporates imports valued at a level of trade more comparable to domestic shipment data. These data do not exactly match data available from other Statistics Canada sources since they are measured using different statistical concepts.

Input-Output Tables value imports by inflating FOB import values by the duty paid and by the insurance and freight paid to foreign firms. Domestic data are measured on an output or production basis, i.e., the value of shipments adjusted by changes in inventory, as compared to unadjusted shipments as provided by the Census of Manufactures. On an annualized basis, the difference between output and shipments has been estimated at plus or minus one percent for all manufacturing with larger variations occurring at smaller levels of aggregation. Additional differences occur within different industry aggregations because Input-Output Table data are compiled on the basis of Statistics Canada's 1970 SIC Codes while domestic shipment data are compiled on the basis of 1980 SIC Codes.

In addition to the above-mentioned statistical differences, Input-Output Table data are available only up to 1985. The research staff projected this data forward through to 1988 on the basis of the observed growth in the most directly comparable Statistics Canada series available. For example, the output of the primary textile industry in 1985 was projected forward to 1988 on the basis of the observed growth in primary textile shipments from 1985 to 1988. Input-output data, for the period 1961-85, were supplied to the CITT by Informetrica Limited.

Apparent Canadian market tables were derived for textiles, clothing and all manufacturing using both FOB imports and CIF duty-paid imports. (See Tables II-2A and II-2B) The addition of the insurance, freight and duty components to FOB import values tends to increase the share of the apparent market held by imports. However, both versions of the apparent market table demonstrate the same historical trends in import penetration and the same relative level of import penetration among industries.

Another difference between the two sets of tables lies in the definition of the textile industry. Input-Output Table statistics pertain to primary textiles and are not directly applicable to the textile industry subject to tariff reductions. However, since primary textiles account for about 85 percent of total textile industry shipments, it is reasonable to assume that the relationship between FOB imports and CIF duty-paid imports determined in respect of primary textiles also holds true for the textile industry as defined for the purpose of this inquiry.

The insurance, freight and duty component of imports, expressed as a percentage of 1985 FOB value, is estimated to be 17 percent for primary textiles, 27 percent for clothing and 6 percent for all manufacturing. When the FOB import values in Table II-2A are increased by these percentages to give a 1988 CIF duty-paid estimate, the share of the apparent Canadian market held by Canadian shipments is 55 percent for textiles, as defined for purposes of this inquiry, 67 percent for clothing and 59 percent for all manufacturing.

BASIC STATISTICAL TABLE FOR TABLES 2.3 AND 2.5 OF VOLUME 1

**Table II-2A
APPARENT CANADIAN MARKETS FOR
- TEXTILES SUBJECT TO TARIFF REDUCTIONS
- CLOTHING
- ALL MANUFACTURING**

1984-88

(Imports Measured on an FOB Basis)

(Millions of Dollars)

	1984	1985	1986	1987	1988
TOTAL SHIPMENTS					
Textiles	3,180	3,149	3,456	3,777	3,885
Clothing	5,175	5,543	6,016	6,350	6,374
All Mfg.	229,848	248,673	253,343	268,536	288,549
EXPORTS					
Textiles	382	395	462	545	657
Clothing	287	322	398	464	425
All Mfg.	83,071	89,346	97,899	100,323	109,499
DOMESTIC SHIPMENTS					
Textiles	2,798	2,754	2,994	2,232	3,228
Clothing	4,888	5,221	5,618	5,886	5,949
All Mfg.	146,777	159,327	155,444	168,213	179,050
IMPORTS					
Textiles	1,879	2,004	2,125	2,262	2,289
Clothing	1,603	1,683	2,050	2,259	2,298
All Mfg.	84,112	92,776	101,433	104,972	119,805
CANADIAN MARKET					
Textiles	4,677	4,758	5,119	5,494	5,517
Clothing	6,491	6,904	7,668	8,145	8,247
All Mfg.	230,889	252,103	256,877	273,185	298,855
DOMESTIC SHARE					
Textiles (%)	60	58	58	59	59
Clothing (%)	75	76	73	72	72
All Mfg. (%)	64	63	61	62	60

Notes: When textile imports are increased by 17 percent, clothing by 27 percent and all manufacturing by 6 percent to give a CIF duty-paid estimate, the shares of the apparent market held by Canadian shipments are 55 percent for textiles, 67 percent for clothing and 59 percent for all manufacturing.

Sources: Textile imports and exports from Trade Analysis paper, October 18, 1989.
All other imports and exports from Commodity Trade by Industrial Sector 1984-1988, ISTC, 1989.
Clothing and manufacturing shipments from Statistics Canada Catalogue 31-203.
Textile shipments from Statistics Canada Catalogue 34-250B and 34-251B. Shipments for tire cords, threads and coated fabrics estimated from CITT survey.

BASIC STATISTICAL TABLE FOR FIGURES 2.2 AND 2.6 OF VOLUME 1

<p align="center">Table II-2B APPARENT CANADIAN MARKETS FOR - PRIMARY TEXTILES - CLOTHING - ALL MANUFACTURING 1984-88 (Imports Measured on a CIF Duty-Paid Basis) (Millions of Dollars)</p>					
	1984	1985	1986	1987	1987
TOTAL OUTPUT					
Textiles	2,754	2,688	2,977	3,254	3,334
Clothing	5,356	5,650	6,132	6,472	6,496
All Mfg.	240,901	257,905	262,748	278,505	299,261
EXPORTS					
Textiles	323	332	391	433	506
Clothing	308	339	419	488	446
All Mfg.	81,705	88,725	97,219	99,626	108,738
DOMESTIC OUTPUT					
Textiles	2,431	2,356	2,586	2,821	2,828
Clothing	5,048	5,311	5,713	5,984	6,050
All Mfg.	159,196	169,180	165,529	178,879	190,523
IMPORTS					
Textiles	1,519	1,706	1,967	2,165	2,103
Clothing	2,056	2,133	2,598	2,863	2,912
All Mfg.	87,428	98,039	107,187	110,927	126,601
CANADIAN MARKET					
Textiles	3,950	4,062	4,553	4,986	4,931
Clothing	7,104	7,444	8,311	8,847	8,962
All Mfg.	246,624	267,219	272,716	289,806	317,124
DOMESTIC SHARE					
Textiles (%)	62	58	57	57	57
Clothing (%)	71	71	69	68	68
All Mfg. (%)	65	63	61	62	60
Note:	See text for explanation of differences in industry definition and measurement concepts between Tables II-2B and II-2A.				
Sources:	Statistics Canada Input-Output Table L-Level of Aggregation. 1984 and 1985 information provided to CITT by Informetrica Limited. 1986-88 are CITT estimates based on recent growth in shipments, imports and exports.				

3. Questionnaires and Financial Statements - A Note on Survey Coverage

To assess the economic impact of reductions in tariffs on the textile and downstream industries, the research staff conducted a series of surveys to obtain information for the 1984-88 period which was available only from the industries concerned. Questionnaires were sent to textile manufacturers, clothing and textile consumer products manufacturers,

upholstered furniture manufacturers and mattress manufacturers. Questionnaires were also sent to the distributors of the products of these industries. Each firm that received a questionnaire was also requested to provide financial statements.

(a) Questionnaires

The completeness of the responses provided by more than 450 firms that responded to the questionnaires varied substantially. Considerable follow-up work by the research staff resulted in almost 250 responses meeting the required standard and being used in preparing industry profiles.

The coverage of the different industries represented by the usable responses was measured by relating total survey shipments and/or total sales, as reported by the responding firms, to total industry shipments, as measured by Statistics Canada. Since each of these different measurements - survey shipments, survey sales and Statistics Canada shipments - assesses output in a different way, it is useful to review what is counted by each measurement.

- (1) CITT survey measurement of third party sales - measures only that portion of a firm's output which is sold to third parties.
- (2) CITT survey measurement of shipments - measures a firm's sales to third parties and internal transfers of goods subject to further processing by the firm.
- (3) Statistics Canada measurement of shipments - measures a reporting establishment's sales to third parties and internal transfers of goods to other reporting establishments of the same firm. Each reporting establishment maintains a separate set of books. This usually implies a separate physical plant.

(b) Textile Industry-Survey Coverage

Completed textile manufacturer questionnaires were received from 82 firms. Of these, 73 questionnaires were usable. Among the 73 usable questionnaires were responses from almost all of the major textile producers. The usable responses accounted for more than 59 percent (third-party sales basis), but less than 70 percent (survey shipment basis) of industry shipments (\$3,885 million in 1988) as measured by Statistics Canada. The analysis of these questionnaires is found in the staff paper Textile Industry and Product Profiles, 1984-1988.

(c) Downstream Industries-Survey Coverage

Replies to questionnaires on the downstream industries of clothing, consumer products, carpets, upholstered furniture and mattresses were all reviewed and checked by the research staff. The data analysis, except that for consumer products, was carried out by Werner International Management Consultants and is available in the paper "Downstream Textile Industries - Descriptive Analyses". The analysis of the consumer product sector is contained in the staff paper Consumer Textile Products Sector.

Completed questionnaires were received from 280 clothing, consumer textile and carpet manufacturers. Clothing manufacturers provided 133 usable responses. The sales represented by these responses accounted for 22 percent of total domestic shipments of

clothing in 1987, as estimated by Werner International. In commenting on the representativeness of this survey, Werner International indicated that coverage in surveys of this nature seldom exceeded 25 percent and that, in its opinion, the coverage of this survey was good.

The sales of the eight consumer textile manufacturers which provided usable responses accounted for an estimated 46 percent of total estimated shipments in 1987. The sales of the seven carpet manufacturers which provided usable responses accounted for an estimated 35 percent of total shipments in 1986.

The 21 upholstered furniture manufacturers which provided usable responses accounted for an estimated 53 percent of total shipments in 1986. The two mattress manufacturers which provided usable responses represented 23 percent of total estimated shipments in 1986.

Although questionnaires were sent to distributors of textile and downstream products, the inadequate quantity and completeness of the responses received precluded any detailed analysis.

The coverage ratios for the different segments of the downstream industry mentioned above are conservative estimates as they are all based on a comparison of survey sales to industry shipments.

(d) Financial Statements

Each firm that received a questionnaire was also requested to provide financial statements for the period 1984-88. These financial statements, many of which were audited, were then analyzed by Clarkson Gordon with its findings contained in the report entitled, Financial Analysis of the Canadian Textile and Downstream Industries, 1984 to 1988.

This survey of financial statements involved a sample size of 292 firms. Clarkson Gordon considered that the sample provided good coverage of the major producers in the textile, clothing and consumer products and upholstered furniture industries. Coverage of the major producers in the mattress industry was considered inadequate while coverage of major distributors was uncertain but likely also insufficient.

With the exception of the mattress and distribution industries, the sample sizes in terms of shipment value were considered significant. Sales by the producers comprising the textile sample accounted for 63 percent of the total estimated shipment value of textiles (an estimated 75 percent when measured on an output basis); sales by the clothing sample represented 33 percent; the upholstered furniture sample, 40 percent; and the mattress and distribution samples were considered insufficient.

4. Financial Indicators Used by Clarkson Gordon In Assessing the Performance of the Canadian Textile and Related Industries

Chapter II of Volume 1 refers to 13 financial indicators used by Clarkson Gordon to measure sales growth, liquidity, leverage and financial returns.¹ The first tables of this research note identify the results for these financial indicators, for the samples of:

1. Clarkson Gordon, Financial Analysis of the Canadian Textile and Downstream Industries, 1984 to 1988, October 4, 1989.

- textile manufacturers (Table II-4A);
- clothing and consumer textile products manufacturers (Table II-4B); and
- clothing manufacturers (Table II-4C).

The total Canadian manufacturing benchmark values are shown on each table for comparison purposes. The first two tables are taken directly from the Clarkson Gordon report, while the clothing table was prepared by the research staff using a database supplied by Clarkson Gordon.

Table II-4D sets out the benchmark financial indicators for the Canadian manufacturing industry and their sources. Once again, this table is taken directly from the Clarkson Gordon report. The definitions of the 13 indicators of financial performance, as described by Clarkson Gordon, are set out in Table II-4E.

Tables II-4F and II-4G show the comparability between the survey data and the Statistics Canada data for **return on equity and net income to total asset ratios** for the textile and clothing industries. With respect to textiles, the Statistics Canada data for textile and knitting mills are for the broader industry comprising the textile industry, as defined for purposes of this inquiry, knitting mills and, among other things, the consumer textile industry, including, for example, carpets and bed linen. The textile industry, as defined for purposes of this inquiry, was shown by the survey to be the more profitable component of the broader textile industry.

Tables II-4F and II-4G also show the 1984 to 1988 averages for return on equity and the net income to asset ratios for all manufacturing as referenced in Chapter II of Volume 1. These values were used in place of the Clarkson Gordon results which covered only the 1984 to 1987 period (See Tables II-4A, II-4B and II-4C).

BACKGROUND TABLE FOR CHAPTER II OF VOLUME 1

Table II-4A				
KEY FINANCIAL PERFORMANCE INDICATORS FOR THE TEXTILE MANUFACTURING INDUSTRY				
Indicator	1987	1988	Average 1984-88	Canadian Mfg. Industry Average
Net Sales Growth (%)	8.1	5.5	7.0 *	6.4 *
Asset Growth (%)	8.0	10.5	7.0 *	7.7 *
Quick Ratio	1.14	1.13	1.10	0.92
Working Capital Ratio	2.11	2.11	2.14	1.23
Long-term Debt/Equity (%)	21	30	31	40
Adjusted LT Debt-Equity (%)**	21	17	24	29
Gross Margin (%)	21	19	18	
Net Margin (%)	6	5	5	
Return on Equity (%)	20	17	16	10
Adjusted ROE (%)**	20	16	15	11
Net Income/Assets (%)	11	9	8	7
Total Return on Capital (%)	17	14	14	10
Pre-Tax Return on Capital (%)	28	22	20	15

Notes: * Compound average annual rate of growth.
 ** Adjustments reflect treatment of estimated unserviced debt from related companies and shareholders as equity.

Source: Clarkson Gordon, Financial Analysis of the Canadian Textile and Downstream Industries, 1984 to 1988.

BACKGROUND TABLE FOR CHAPTER II OF VOLUME 1

Table II-4B				
KEY FINANCIAL PERFORMANCE INDICATORS FOR THE CLOTHING AND CONSUMER TEXTILE PRODUCTS INDUSTRY				
Indicator	1987	1988	Average 1984-88	Canadian Mfg. Industry Average
Net Sales Growth (%)	13.1	6.5	10.6 *	6.4 *
Asset Growth (%)	15.1	6.8	11.3 *	7.7 *
Quick Ratio	0.99	1.08	0.97	0.92
Working Capital Ratio	1.98	2.09	1.96	1.23
Long-term Debt/Equity (%)	37	43	36	40
Adjusted LT Debt-Equity (%)**	26	21	24	29
Gross Margin (%)	26	26	26	
Net Margin (%)	3	3	3	
Return on Equity (%)	12	11	11	10
Adjusted ROE (%)**	11	9	10	11
Net Income/Assets (%)	5	5	5	7
Total Return on Capital (%)	11	9	10	10
Pre-Tax Return on Capital (%)	16	14	15	15

Notes: * Compound average annual rate of growth.
** Adjustments reflect treatment of estimated unserviced debt from related companies and shareholders as equity.

Source: Clarkson Gordon, *Financial Analysis of the Canadian Textile and Downstream Industries, 1984 to 1988*.

BACKGROUND TABLE FOR CHAPTER II OF VOLUME 1

Table II-4C				
KEY FINANCIAL PERFORMANCE INDICATORS FOR THE CLOTHING INDUSTRY				
Indicator	1987	1988	Average 1984-88	Canadian Mfg. Industry Average
Net Sales Growth (%)	12.7	8.2	11.0 *	6.4 *
Asset Growth (%)	13.4	12.4	13.0 *	7.7 *
Quick Ratio	1.01	1.09	0.98	0.92
Working Capital Ratio	1.94	2.03	1.88	1.23
Long-term Debt/Equity (%)	38	42	36	40
Adjusted LT Debt-Equity (%)**	19	17	18	29
Gross Margin (%)	28	28	28	
Net Margin (%)	3	3	4	
Return on Equity (%)	15	12	16	10
Adjusted ROE (%)**	13	10	14	11
Net Income/Assets (%)	7	5	7	7
Total Return on Capital (%)	13	10	13	10
Pre-Tax Return on Capital (%)	19	15	19	15

Notes: * Compound average annual rate of growth.
** Adjustments reflect treatment of estimated unserviced debt from related companies and shareholders as equity.

Source: CITT staff calculations using Clarkson Gordon database.

BACKGROUND TABLE FOR CHAPTER II OF VOLUME 1

Table II-4D		
BENCHMARK FINANCIAL INDICATORS FOR THE CANADIAN MANUFACTURING SECTOR		
Indicator	Manufacturing Average	
Net Sales Growth (%)	6.4	Compound annual growth 1984-88 Mfg. Industry Shipments; Statistics Canada Survey of Manufacturing.
Asset Growth (%)	7.7	Compound annual growth 1984-88 for Mfg. firms with > \$10 million in assets; Statistics Canada (61-003).
Quick Ratio	0.92	Overall manufacturing sector average rate 1984-87; 1988 Annual Report, Textiles and Clothing Board.
Working Capital Ratio	1.23	Overall manufacturing sector average rate 1984-87; 1988 Annual Report, Textiles and Clothing Board.
Long-term Debt/Equity (%)	40	Average 1984-88 for Mfg. firms with > \$10 million in assets; Statistics Canada (61-003).
Adjusted LT Debt-Equity (%)	29	Average 1984-88 for Mfg. firms with > \$10 million in assets; Statistics Canada (61-003) (Long-term debt from related companies treated as equity).
Return on Equity (%)	10	Overall Manufacturing Sector Average Rate 1984-87; 1988 Annual Report, Textiles and Clothing Board.
Adjusted ROE (%)	11	Average 1984-88 for Mfg. firms with > \$10 million in assets; Statistics Canada (61-003) (Long term-debt from related companies treated as equity).
Net Income/Assets (%)	7	Overall Manufacturing Sector Average Rate 1984-87; 1988 Annual Report, Textiles and Clothing Board.
Total Return on Capital (%)	10	Average 1984-88 for Mfg. firms with > \$10 million in assets; Statistics Canada (61-003) (Net Income+Int. on Long-term debt as a % of Assets less current liabilities).
Pre-Tax Return on Capital (%)	15	Average 1984-88 for Mfg. firms with > \$10 million in assets; Statistics Canada (61-003) (As above, using pre-tax income).

BACKGROUND TABLE FOR CHAPTER II OF VOLUME 1

Table II-4E

DEFINITION OF FINANCIAL PERFORMANCE INDICATORS

- (1) Growth in Sales and Assets**
These indicators are measured by the annual rate of change over the previous year's value, and the average compound annual rate of growth over 1984-88.
- (2) Quick Ratio**
This indicator is defined as the ratio of current assets excluding inventories to current liabilities. A high quick ratio indicates that the firm is in a strong position to meet short-term liabilities.
- (3) Working Capital Ratio**
This is a less stringent test of the ability to meet current liabilities, defined as the ratio of current assets (including inventories) to current liabilities.
- (4) Ratio of Long-term Debt to Equity**
This measure indicates the extent to which the firm is leveraged, excluding short-term debt and is defined as long-term debt divided by shareholders equity.
- (5) Adjusted Long-term Debt to Equity**
Both long-term debt and equity are adjusted in this calculation to reflect the fact that some debt was provided by shareholders or related companies. This adjusted measure is designed to reflect the degree to which the industry used outside long-term debt relative to funds provided by equity holders and related companies.
- (6) Gross Profit Margins**
This measure is defined as net sales less cost of goods sold expressed as a percentage of sales and is indicative of profits before other expenses such as selling, administration and interest expense.
- (7) Net Profit Margins**
This indicator is measured by net income as a percentage of sales, and shows the degree to which sales are translated into profits after all costs and interest expenses have been met. It can be used as an indicator of the extent to which selling prices could fall before putting the industry in a loss position, holding all other costs constant.
- (8) Return on Equity**
This indicator, defined by net income (after interest and taxes) as a percentage of equity, is a measure of the financial performance of the industry in terms of its returns to shareholders.
- (9) Adjusted Return on Equity**
As has been indicated, some debt was provided by equity holders or related companies. As a result an adjusted return on equity which uses a revised measure of equity treating shareholder or related company loans as equity was calculated.
- (10) Net Income on Assets**
This is a measure of the extent to which the industry has been able to generate income to shareholders commensurate with the book value of assets.
- (11) Total Return on Invested Capital**
This indicator examines the ability of firms to earn returns for both debt and equity holders on the assets of the firm and is calculated as net income plus interest on long-term debt as a percentage of assets less current liabilities. It excludes both short-term interest from the numerator and the value of current liabilities for which the short-term interest costs are incurred from the denominator.
- (12) Pre-Tax Return on Capital**
This indicator is defined as net income before taxes plus interest on long-term debt expressed as a percentage of assets less current liabilities.

BACKGROUND TABLE FOR CHAPTER II OF VOLUME 1

Table II-4F				
RETURN ON EQUITY				
Industry	1987 %	1988 %	Average 1984-88 %	Source
Textiles (CITT)	20.3	17.2	16.1	Clarkson Gordon
Consumer Textiles	7.6	8.9	4.8	Clarkson Gordon Database
Textiles and Knitting Mills (1970 SIC)	14.8	14.3	11.1	Statistics Canada
Clothing	15.3	12.0	15.6	Clarkson Gordon Database
Clothing	16.5	17.5	15.5	Statistics Canada
All Manufacturing	13.2	15.6	12.1	Statistics Canada

Notes: (1) Clarkson Gordon data are from a survey of firms of all sizes.
 (2) Statistics Canada data are from a survey of firms over \$10 million in assets.
 (3) Textiles (CITT) is the textile industry as defined for purposes of this inquiry.
 (4) Consumer textiles include carpets and bed linens, etc.
 (5) Textiles and knitting mills (1970 SIC) are comparable to the sum of SIC 18 (1980), SIC 19 (1980) and the knitted goods portion of SIC 24 (1980).

BACKGROUND TABLE FOR CHAPTER II OF VOLUME 1

Table II-4G				
NET INCOME TO TOTAL ASSET RATIOS				
Industry	1987 %	1988 %	Average 1984-88 %	Source
Textiles (CITT)	10.9	8.7	8.2	Clarkson Gordon
Consumer Textiles	3.5	4.0	2.3	Clarkson Gordon Database
Textiles and Knitting Mills (1970 SIC)	7.8	7.4	5.7	Statistics Canada
Clothing	6.6	5.1	6.5	Clarkson Gordon Database
Clothing	8.8	8.4	8.2	Statistics Canada
All Manufacturing	6.4	7.3	5.8	Statistics Canada

Notes: (1) Clarkson Gordon data are from a survey of firms of all sizes.
 (2) Statistics Canada data are from a survey of firms over \$10 million in assets.
 (3) Textiles (CITT) is the textile industry as defined for purposes of this inquiry.
 (4) Consumer textiles include carpets and bed linens, etc.
 (5) Textiles and knitting mills (1970 SIC) are comparable to the sum of SIC 18 (1980), SIC 19 (1980) and the knitted goods portion of SIC 24 (1980).

5. Trade Data and International Issues

(a) Development of the HS Trade Data Series

In conducting its inquiry into textile tariffs, the Tribunal used two primary sources of trade data: an HS based series and United Nations Trade Data. This research note reviews the development of the 1984 to 1988 HS trade data series. These trade data were used in Chapter II of Volume 1 in preparation of the apparent market tables for the textile industry, as defined for purposes of this inquiry. HS based data on imports from the rest of the world were used to calculate weighted averages of MFN tariffs in Chapters IV to VII of Volume 1. The United Nations Trade Data are discussed in the succeeding research note.

(i) Conversion of CITC Trade Data to the HS

The HS was implemented in Canada in January 1988. This system uses the same basic commodity structure for classifying imports, exports and tariffs. Prior to 1988, imports and exports were classified under the Canadian International Trade Classification system (CITC).

In constructing its apparent market tables, the Tribunal required a textile import series for 1984 to 1988. This required the conversion of textile import data for 1984 to 1987 to the same HS classification used for 1988 imports. For the conversion exercise, a concordance was used which had been developed by Revenue Canada, Customs and Excise, in 1986 (subsequently amended by the Department of Finance) for imports classified under the old CITC system and those entering under the new HS system. The concordance consisted of a set of ratios which allocated imports under the CITC to the appropriate HS category and was prepared on the basis of a study of actual imports into Canada during the three-year period from 1980 to 1982.¹

The conversion of the import data was carried out by the research staff. In the process, adjustments were made to the concordance at the HS Chapter and heading levels to ensure that the pattern of trade in 1987 was comparable to that in 1988. A number of adjustments were made taking into account a concordance which had been developed by the Canadian Textiles Institute. At the more disaggregated levels (i.e., at the six- and eight-digit levels), there is less conformity and, hence, less confidence in the numbers presented.

No concordance had previously been developed for the conversion of export data to the HS. Accordingly, the research staff developed a concordance to match CITC export categories with appropriate HS classes. Although there are considerably fewer categories of exports than imports, this task was complicated somewhat by the large use of n.e.s. (not elsewhere specified) classes in the old CITC system. In this regard, export data reported by textile manufacturers in their responses to the Tribunal questionnaire assisted in determining the appropriate allocations.

In addressing the issues involved in this inquiry, the Tribunal recognized the limitations associated with the historical trade data and relied primarily on the broader aggregated data series in the formulation of its conclusions.

1. Minor adjustments to this concordance were made to take account of the changes in tariff classification which occurred during the period 1983-87.

(II) Adjustments to the HS Trade Series the Purposes of the Inquiry

A full accounting of the trade series used by the Research Branch is contained in the staff paper *Trade Analysis*, October 18, 1989. That report describes the estimated textile industry trade series, 1984 through 1988, for products falling within the HS Chapters 50-56 and 58-60. Import and export values for textiles, as defined for purposes of this inquiry and as reported in Chapter II of Volume 1, were taken from the *Trade Analysis* paper. However, a number of four-digit headings were removed from the series. Because of the nature of the products included in these headings, they were deemed to fall outside of the Minister's terms of reference, in the same manner that products such as sheets, pillowcases, rugs and carpets had been excluded.

The following four-digit headings were excluded. The 10 headings include 44 eight-digit tariff items found in Chapters 56, 58 and 59 of the Canadian *Customs Tariff*.

Four-Digit Code	Description	Number of Eight-Digit Tariff Items
5601	Wadding, etc.	11
5607	Twine, Cord, etc.	14
5608	Knotted Netting	4
5609	Articles of Yarn, Rope, etc.	1
5805	Tapestries	2
5807	Labels, Badges, etc.	3
5808	Braids and Ornamental Trimmings	2
5811	Quilted Textile Products	1
5904	Linoleum (with Textile Base)	3
5905	Wall Coverings (Textile)	3
		<hr/> 44

The value of excluded import trade from all sources amounted to \$103 million in 1988.

In respect to the export trade data, the percentage of the total value of export trade in textiles in 1988, accounted for by the above items, was used to estimate the value of the export trade in these items in the years 1984-87.

(b) UN Trade Data

Most of the trade analysis in Chapter III, *The International Setting*, of Volume 1 is based on United Nations (UN) Trade Data. Specifically, Figures 3.1, 3.2, 3.3, 3.4 and Table 3.2 were developed from these UN trade statistics. The data were obtained from the External Affairs International Trade Data Bank and were published in the Tribunal research staff paper, *International Overview*, together with its Statistical Appendix I, in May 1989. The key figures are contained at pages 68 to 71 of the Statistical Appendix. Additional UN Trade Data used to compute Figures 3.1 and 3.4 are found in Tables III-5A and III-5B following this section.

UN foreign trade statistics are organized in accordance with the Standard International Trade Classification (SITC) Revision 2 coding system for commodities.

Textile trade data are classified in two SITC Codes: Code 26, which is defined as textile fibres (other than wool tops) and their wastes (not manufactured into yarn or fabric) and Code 65 which is defined as textile yarn, fabrics, made-up articles, not elsewhere specified, and related products.

The term "textiles" found in Chapter III of Volume 1 generally refers to the combination of SITC Codes 26 and 65. The products covered include primary textiles, specialty yarns and fabrics, as well as household textile products, carpets and other textile floor coverings. The statistical coverage is therefore greater than the definition of the textile industry chosen for purposes of this tariff reduction inquiry.

In addition to the UN Trade Data for SITC Codes 26 and 65, the Tribunal requested that External Affairs provide, separately, the data for a number of specific primary textile product subcategories within SITC Codes 26 and 65. A complete list of these primary textile products is provided in Table III-5C. This listing of products falls entirely within the inquiry's definition of the textile industry.

The Tribunal also obtained UN Trade Data for clothing, SITC Code 84, which is defined as articles of apparel and clothing accessories. The clothing data exclude SITC Group 848, which is defined as articles of apparel and clothing accessories of other than textile fabrics and headgear of all materials.

Canadian imports presented in the UN Trade Data are valued on an FOB basis, while US imports are on a CIF basis. Both sections 3 and 6 deal with the FOB and CIF approaches to the valuation of imports.

Other notable features of the UN Trade Data are:

- (1) intra-ECC trade is excluded from the statistics pertaining to the European Economic Community;
- (2) where data have been presented comparing imports by source, the imports sourced in centrally planned economies are included in the imports sourced from developing countries; and
- (3) UN Trade Data were presented only up to 1987. The 1988 data were still not available as of the writing of this report.

Four additional trade tables based on UN data are included at the end of this section. Table III-5D compares the growth of imports of primary textiles (fibres, yarns and fabrics) during the period 1963-87 in Canada, the United States and the EEC. The figures are a selection of the most traded primary textile products, that is, those which account for 80 percent or more of the trade in their respective product category. Consequently, the total combined imports of fibres, yarns and fabrics presented in this comparison do not equal the total value of textile imports reported in Chapter III of Volume 1. Table III-5E compares the import growth of Canada, the United States and the EEC respecting textiles and clothing, textiles, clothing and household linens for the period 1963-87. Table III-5F compares the average annual growth in textile imports by Canada and the United States. While not based exclusively on UN Trade Data, a further Table III-5G is included which compares Canadian and US imports of textiles, clothing and all manufactured goods on a per capita basis.

(c) International Issues

This subsection provides additional information on the calculation of VER utilization rates by the "Big Four" "low-cost" exporters in Table 3.4 of Volume 1.

(I) Canada

Basic Calculation:

Import Permits Issued as a Percentage of the Original Restraint Level.

Data Source:

Report of Restraint Utilization by Product
Special Trade Relations Bureau
Department of External Affairs
April 18, 1989.

Yarns - refer to page 38 for the number of Permits Issued and the Original Restraint Levels.

Fabrics - refer to pages 7 and 37 for the number of Permits Issued and the Original Restraint Levels.

NOTE:

Canada did not restrain imports of yarn from Hong Kong or the People's Republic of China in 1988. Consequently, no utilization rate appears in Table 3.4 in Volume 1.

(II) United States

Basic Calculation:

Average Percent Filled for All US Product Categories Subject to Restraint Measures in 1988.

US Data Source:

Study of the US Textile & Apparel Restraint Program by Sharretts et al for the Canadian International Trade Tribunal, July 31, 1989.

Sharretts report included restraint utilization rates under the heading "Percent Filled" by country and by product for all product categories subject to restraint in 1988. The product categories are defined in the US 1988 Product Category System, a copy of which is included in that report. The CITT staff incorporated the average "percent filled" data reported for the "Big Four" in Table 3.4 of Volume 1.

NOTE:

Table 3.4 of Volume 1 displays no utilization rate for US imports of yarn from Hong Kong as yarns were not subject to restraints from that source in 1988.

BASIC STATISTICAL TABLE FOR FIGURE 3.1 OF VOLUME 1

Table III-5A					
WORLD TRADE IN ALL PRODUCTS, TEXTILES AND CLOTHING					
(Millions of US Dollars)					
Exporter	World 1965	1970	1975	1980	1986
WORLD TRADE					
World:					
All Products	191,926	312,011	872,692	2,000,855	2,117,125
Textiles 65	8,340	12,418	26,477	56,127	68,012
Textiles 26	5,971	5,898	10,307	19,228	17,191
TOTAL TEXTILES	14,311	18,316	36,784	75,355	85,203
Clothing	3,009	6,440	16,758	39,925	61,829
INTRA-EEC TRADE					
World:					
All Products	30,062	57,526	149,751	355,836	450,518
Textiles 65	2,074	3,345	7,607	15,297	19,083
Textiles 26	538	636	1,285	1,837	2,275
TOTAL TEXTILES	2,612	3,981	8,892	17,134	21,358
Clothing	713	1,718	4,540	9,831	13,926
WORLD TRADE EXCL. INTRA-EEC TRADE					
World:					
All Products	161,864	254,485	722,941	1,645,019	1,666,607
Textiles 65	6,266	9,073	18,870	40,830	48,929
Textiles 26	5,433	5,262	9,022	17,391	14,916
TOTAL TEXTILES	11,699	14,335	27,892	58,221	63,845
Clothing	2,296	4,722	12,218	30,094	47,903
INDEX 1965=100					
ALL PRODUCTS	100	157	447	1,016	1,030
TOTAL TEXTILES	100	123	238	498	546
CLOTHING	100	206	532	1,311	2,086
<p>Notes: (1) Textiles, SITC Codes 65 & 26, i.e., textile fibres (other than wool tops); textile yarn, fabrics, made-up articles such as linens, carpets and other floor coverings; and related products. (2) Clothing, SITC Code 84, excluding Code 848 (non-textile apparel accessories).</p> <p>Source: International Trade Statistics Yearbook (United Nations, 1983 and 1987, Table B).</p>					

BASIC STATISTICAL TABLE FOR FIGURE 3.4 OF VOLUME 1

Table III-5B						
TOTAL TEXTILES IMPORTS BY ORIGIN						
	Thousands of US Dollars			Percentage		
	1963	1984	1987	1963	1984	1987
USA						
Developed	663,271	2,640,084	3,469,751	59.2	51.6	48.9
Dev'd Less Japan	475,773	1,904,787	2,623,885	42.5	37.2	37.0
Developing	456,781	2,474,577	3,629,434	40.8	48.4	51.1
Japan	187,498	735,297	845,866	16.7	14.4	11.9
TOTAL	1,120,052	5,114,661	7,099,185	100.0	100.0	100.0
Canada						
Developed	333,656	1,437,929	1,531,539	86.3	79.3	69.1
Dev'd Less USA	147,595	482,103	556,479	38.2	26.6	25.1
Developing	52,876	374,238	683,296	13.7	20.7	30.9
USA	186,061	955,826	975,060	48.1	52.7	44.0
TOTAL	386,532	1,812,167	2,214,835	100.0	100.0	100.0
<p>Note: Total Textiles = Textiles + Textile Products.</p> <p>Sources: Statistical Appendix I; <u>International Overview</u>; UNCTAD Trade Data for Canada, USA, EEC and Japan; 1963-87. Staff Background Paper, CITT; Ref.No.MN-89-001, May 25, 1989, Total Textile Table, p. 68.</p>						

BACKGROUND TABLE FOR CHAPTER III OF VOLUME 1

Table III-5C	
SELECTED SITC PRIMARY TEXTILE PRODUCTS	
Groupings	SITC Codes
Fibres	
- Silk	261
- Cotton	263
- Other Vegetable	264, 265
- Man-made	266, 267
- Wool	268
Yarns	
- Silk	651.1
- Wool	651.2
- Cotton	651.3
- Man-made	651.4, 651.5, 651.6, 651.7, 651.8
- Other Vegetable	651.9
Fabrics	
- Cotton (Broadwoven)	652
- Silk (Broadwoven)	654.1
- Other Vegetable (Broadwoven)	654.4, 654.5, 654.9
- Man-Made (Broadwoven)	653
- Wool (Broadwoven)	654.2, 654.3
Knitted Fabrics	655
Lace and Embroidery Fabric	656.04, 656.05, 656.06
Felts/Non-woven Fabrics	657.1, 657.2
Coated Fabrics	657.3
Narrow Fabrics	656.01, 656.02

BACKGROUND TABLE FOR CHAPTER III OF VOLUME 1

Table III-5D							
COMPARISON OF FIBRE, YARN AND FABRIC IMPORT GROWTH CANADA, USA AND EEC, 1963 AND 1987							
(Millions of US Dollars)							
		Canada		USA		EEC	
Product	Year	Imports	Average % Change 1987/63 Imports	Imports	Average % Change 1987/63 Imports	Imports	Average % Change 1987/63 Imports
Fibres	1963	70		273		715	
	1987	177	4.1	525	2.9	4,461	8.3
Yarns	1963	58		30		166	
	1987	450	9.3	583	13.8	2,801	13.1
Broadwoven	1963	99		217		175	
	1987	749	9.2	2,527	11.3	3,817	14.3
Other Fabrics	1963	6		7		55	
	1987	365	19.6	679	22.0	1,053	13.7

Notes: (1) The above represents a selection of the most traded primary textile products, i.e., those accounting for 80 percent or more of textile trade.
(2) Excludes Intra-EEC Trade.

Source: UN Trade Data: External Affairs International Trade Data Bank.

BACKGROUND TABLE FOR CHAPTER III OF VOLUME 1

Table III-5E									
COMPARISON OF TEXTILE IMPORT GROWTH TO CANADA, USA AND EEC 1963-87									
(Millions of US Dollars)									
	Country	1963	1973	1984	1985	1986	1987	Average Annual Percent Change 1987/63	Average Annual Percent Change 1987/84
Textiles and Clothing	Canada	437	1,247	2,966	2,963	3,368	3,798	9	9
	USA	1,463	3,755	18,020	19,962	23,301	26,980	13	14
	EEC	2,292	7,794	18,720	19,289	23,366	31,007	11	18
Textiles	Canada	387	943	1,812	1,814	1,985	2,215	8	7
	USA	1,120	1,816	5,115	5,451	6,349	7,099	8	12
	EEC	2,133	5,603	10,767	11,186	12,618	15,804	9	14
Apparel and Clothing	Canada	50	304	1,153	1,149	1,382	1,583	15	11
	USA	343	1,939	12,905	14,512	16,952	19,881	18	16
	EEC	159	2,191	7,952	8,104	10,749	15,204	21	26
Bed, Table and Kitchen Linens	Canada	25	63	95	90	110	107	6	4
	USA	33	89	418	541	592	665	13	17
	EEC	15	147	494	497	460	665	17	10

Notes: (1) Textiles, SITC Codes 65 & 26.
 (2) Clothing, SITC Code 84, excluding Code 848.
 (3) Excludes Intra-EEC Trade.
 (4) Bed, Table and Kitchen Linens, SITC Code 658.4.

Source: UN Trade Data: External Affairs International Trade Data Bank.

BACKGROUND TABLE FOR CHAPTER III OF VOLUME 1

Table III-5F				
COMPARISON OF TEXTILE IMPORT GROWTH TO CANADA AND USA				
	Canada		USA	
	Developing	All Imports	Developing	All Imports
1963/87	11	8	9	8
1984/87	22	7	14	12

Note: Textiles, SITC Codes 65 & 26, i.e., textile yarn, fabrics, made-up articles such as linens, carpets and other floor coverings; and related products.

Source: Calculations based on UN Trade Data; External Affairs International Trade Data Bank.

BACKGROUND TABLE FOR CHAPTER III OF VOLUME 1

Table III-5G PER CAPITA VALUE OF IMPORTS OF TEXTILE, CLOTHING AND ALL MANUFACTURED GOODS BY CANADA AND USA (US Dollars)									
(a) TEXTILE AND CLOTHING IMPORTS BY CANADA AND USA FROM "LOW-COST" SOURCES									
	Country	1978	1981	1982	1983	1984	1985	1986	1987
Primary Textile Products	Canada	7.25	10.80	8.74	11.81	13.88	14.61	18.20	24.29
	USA	4.12	6.06	5.31	6.20	8.53	8.73	10.46	12.41
Clothing	Canada	16.25	24.85	24.86	30.71	38.59	35.96	41.95	49.68
	USA	22.65	30.17	32.63	37.74	50.15	54.34	63.22	75.81
Total	Canada	23.50	35.65	33.60	42.52	52.47	50.57	60.15	73.97
	USA	26.77	36.22	37.94	43.93	58.69	63.06	73.68	88.22

(b) TEXTILE IMPORTS BY CANADA AND USA FROM ALL SOURCES		
Country	1984	1987
Canada	72.48	88.60
USA	21.57	29.09

(c) IMPORTS OF ALL MANUFACTURED GOODS BY CANADA AND USA FROM ALL SOURCES								
Country	1978	1981	1982	1983	1984	1985	1986	1987
Canada	2,396.00	3,918.00	3,381.00	3,772.00	4,920.00	5,679.00	6,280.00	6,148.00
USA	793.00	1,158.00	1,073.00	1,155.00	1,410.00	1,425.00	1,522.00	1,690.00

(d) CALCULATION OF CANADA/USA RATIO OF IMPORTS OF TEXTILES ON A PER CAPITA BASIS

Source		1984	1987
"Low-Cost" Imports	Canada/USA	15.22/10.35 = 1.47:1	27.47/14.84 = 1.85:1
All Source Imports	Canada/USA	72.48/21.57 = 3.36:1	88.60/29.09 = 3.05:1

Notes: (b) & (d) "Textiles" defined as SITC Codes 65 and 26.
(c) Values rounded to the nearest dollar.

Sources: (a) Textile and Clothing Board Report on Textiles and Clothing, 1988; based on UN Trade Data: External Affairs International Trade Data Bank.
(b) UN Trade Data: External Affairs International Trade Data Bank.
(c) USA — Calculated from total merchandise imports reported by US Department of Commerce in National Income and Products Accounts of the United States 1929-82 and Survey of Current Business, July 1986, 87, 89, Monthly.
US Population - US Bureau of the Census.
Canada — Calculated from imports all manufacturing, staff Industry Profiles paper, May 1989, based on Statistics Canada Catalogue 65-001, Summary of International Trade December 1987 (for 1984-87) and Summary of External Trade 65-001 (1978-1983).
Census of Manufactures, Monthly, March 1989 (for 1988) (Canadian).
Canadian Population - Statistics Canada projections.
Exchange rate - Average annual rate.

6. Tariff Comparisons: Technical Issues

In Chapter IV of the report, reference was made to two basic technical issues that affect the international comparability of tariffs. The first was that such comparisons require a common basis of valuation of imports. The second was the need for a common tariff and trade classification system. The HS provided this basis, except in the case of the United States where trade data for 1988 needed to be converted to the HS. This subsection reviews both of these issues. At the end of this section, there is a series of basic statistics used to plot most of the figures appearing in Chapters IV to VII, and in the Executive Summary. Basic statistics for figures showing effective rates of tariff protection in Chapters V and VII are at the end of Section 7, and those showing the economic impact of tariff reductions, at the end of Section 8.

(a) Common Valuation Basis

Canada and the United States determine value for duty on an FOB basis. The EEC and Japan, on the other hand, use a CIF basis for customs valuation. Therefore, for tariff comparisons, a tariff levied on a CIF basis is in fact higher in terms of duties paid than a tariff of the same level levied on an FOB basis, as the following table demonstrates.

Valuation Basis	Value for Duty	Duty Rate	Duties
FOB	1,000	12.5	125.00
CIF	1,050	12.5	131.25

In order to provide a common basis for comparing tariffs in Japan and the EEC with those in Canada and the United States, Canadian and US rates were adjusted to a CIF basis. To make this adjustment, the staff used estimates developed by the US International Trade Commission (USITC) based on 1988 imports by the United States. For the majority of products at the six-digit level, the value of the insurance and freight components to be added to the FOB basis was about 0.5 percentage points. These estimates were used to adjust both Canadian and US rates to a CIF basis.

(b) Conversion of 1988 US Import Data to the HS

The research staff began gathering the statistical information essential to the comparison of tariffs under the HS in early 1989. Canada, Japan and the EEC began applying the HS to their respective imports on January 1, 1988, while the United States started to use the HS on January 1, 1989. Thus, while comparable data were available for Canada, Japan and the EEC, it was not the case for the United States. To overcome this problem, the staff obtained from the office of the US Trade Representative an HS concordance created by the USITC. This concordance was used for tariff comparisons in papers issued by the staff and in Volume 1.

The research staff tested the accuracy of the US HS concordance by calculating average MFN tariffs using data for the first eight months of 1989 reported on an HS basis. They also calculated Canadian average MFN tariffs using data for the first eight months of 1989.

As can be seen below, average MFN tariffs for the United States in 1989, based on HS data, are quite similar to those calculated for 1988, based on the concordance. The average for total textiles is the same (11.1 percent), and there are only marginal differences for most

of the main product groups. This suggests that the US concordance was a good approximation of trade at the HS level. Finally, it should be noted that average MFN tariffs calculated for Canada for 1989 are very close to those calculated for 1988.

Product Group	USA		Canada	
	1988	1989 (8 months)	1988	1989 (8 months)
Fibre: Natural	3.8	3.8	0.2	0.0
Man-made	6.5	5.7	8.3	7.7
Yarn: Natural	7.9	7.9	12.3	12.3
Man-made	10.6	10.6	12.6	12.7
Fabric: Natural	10.9	11.0	14.2	14.0
Man-made	16.4	16.3	24.8	24.9
Knitted	14.2	14.2	25.0	25.0
Specialty Textiles	8.6	9.2	20.3	20.2
Total Textiles	11.1	11.1	16.6	16.3

BASIC STATISTICAL TABLE FOR FIGURE 4.1 OF VOLUME 1

Table IV-6A				
CANADA'S IMPORTS BY SOURCE				
ALL COMMODITIES				
1988				
(Millions of Dollars)				
Source	Total	Share %	Textiles	Share %
Total	131,554	100.0	2,366	100.0
USA	86,449	65.7	1,167	49.4
Japan	9,253	7.0	104	4.4
EEC	16,028	12.2	369	15.6
Other	19,824	15.1	726	30.7

Sources: Statistics Canada Catalogue 65-203. Table 6 - Imports by Summary Groupings (SIG) and country of origin.

For Reference				
CANADA'S EXPORTS BY DESTINATION				
ALL COMMODITIES				
1988				
(Millions of Dollars)				
Destination	Total	Share %	Textiles	Share %
Total	137,695	100.0	698	100.0
USA	100,614	73.1	391	56.0
Japan	8,720	6.3	6	0.9
EEC	11,010	8.0	59	8.5
Other	17,351	12.6	242	34.6

Sources: Statistics Canada Catalogue 65-202. Table 4 - Domestic Exports by Summary Groupings (SEG) and country.

BASIC STATISTICAL TABLE FOR FIGURES 4.2 AND 4.3 OF VOLUME 1

<p align="center">Table IV-6B</p> <p align="center">CANADA'S TEXTILE IMPORTS</p> <p align="center">TOTAL AND AT CONCESSIONARY RATES BY SOURCE</p> <p align="center">(Millions of Dollars)</p>				
	Total	Concessionary	USA	Rest of the World
Natural Fibres	131	0	0	0
Man-made Fibres	109	38	31	7
Natural Yarns	108	8	2	6
Man-made Yarns	418	81	52	29
Natural Fabrics	467	31	4	27
Man-made Fabrics	471	20	11	9
Knitted Fabrics	120	36	36	0
Specialty Textiles	448	86	67	19
Total	2,272	300	203	97

BASIC STATISTICAL TABLE FOR FIGURE 4.5 OF VOLUME 1

<p align="center">Table IV-6C</p> <p align="center">CANADIAN TARIFF PROTECTION</p> <p align="center">AVERAGE MFN TARIFF VERSUS DUTIES COLLECTED</p> <p align="center">1988</p>		
	Average MFN Tariff	Duties Collected
Natural Fibres	0.2	0.2
Man-made Fibres	8.3	4.9
Natural Yarns	12.3	11.3
Man-made Yarns	12.6	10.5
Natural Fabrics	14.2	12.6
Man-made Fabrics	24.8	23.5
Knitted Fabrics	25.0	23.9
Specialty Textiles	20.3	14.9
Total Textiles	16.6	14.8

Sources: Statistics Canada Catalogue 65-203, 1988.
Schedule I of the Canadian *Customs Tariff*.

BASIC STATISTICAL TABLE FOR FIGURE 4.6 OF VOLUME 1

Table IV-6D				
FTA EFFECTS ON AVERAGE TARIFFS				
(Percentage)				
	Canada		USA	
	Average MFN	FTA Imports at Zero Rate	Average MFN	FTA Imports at Zero Rate
Fibres	2.5	0.7	4.6	4.1
Yarns	12.5	7.1	9.5	8.7
Fabrics	19.3	12.1	12.9	12.7
Specialty Textiles	20.3	4.2	8.6	4.1
Total Textiles	16.6	8.6	11.1	9.9

Sources: Statistics Canada Catalogue 65-203, 1988.
 Import statistics: US Department of Commerce, 1988.
 Schedule I of the Canadian *Customs Tariff*.
 Tariff Schedules of the United States.

**BASIC STATISTICAL TABLE FOR FIGURES 4.7, 4.8, 6.1 AND
EXECUTIVE SUMMARY OF VOLUME 1**

Table IV-6E						
AVERAGE MFN TARIFFS FOR TEXTILES CIF BASIS						
(Percentage)						
	Canada	USA	EEC	Japan	Composite	Tribunal Recommendations
Fibres	2.3	4.4	1.3	0.5	3.4	1.4
Yarns	11.5	9.0	7.3	5.9	8.4	9.1
Fabrics	18.4	12.3	10.6	8.1	11.5	13.5
Specialty Textiles	19.3	8.3	7.3	7.2	8.0	12.8
Total Textiles	15.7	10.5	6.0	3.7	8.9	11.7
Clothing	24.0	22.5	14.0	13.5	N.A.	N.A.
All Commodities	8.5	5.0	5.5	6.0	N.A.	N.A.

Note: N.A. = Not applicable.

Sources: Tariff schedules for Canada and the United States adjusted from an FOB to a CIF basis.
 Tariff schedules of Japan and the EEC.

BASIC STATISTICAL TABLE FOR FIGURE 6.2 OF VOLUME 1

Table VI-6F				
TRIBUNAL TARIFF RECOMMENDATIONS				
CUMULATIVE YEAR-BY-YEAR REDUCTIONS				
(Percentage)				
Year	Fibres	Yarns	Fabrics	Total Textiles
0	0	0	0	0
1	27.3	38.5	13.7	18.0
2	54.5	73.1	27.5	34.4
3	81.8	100.0	37.3	47.7
4	100.0	100.0	47.1	57.4
5	100.0	100.0	58.8	66.4
6	100.0	100.0	68.6	75.8
7	100.0	100.0	78.4	84.4
8	100.0	100.0	90.2	93.0
9	100.0	100.0	100.0	100.0

7. Effective Rate of Tariff Protection

(a) Concept of Effective Protection

The concept of effective protection recognizes that it is not only the rate of duty on competing final products that is relevant to a determination of tariff protection, but that the whole structure of tariff rates on material inputs plays a crucial role. In fact, "a tariff on a good used in the productive process is equivalent to a tax on the output of that process."¹

As understood by economists, effective tariff protection refers to the net effect of the nominal tariff structure on domestic value added, taking into account both the price that the producer can charge domestically for its output and the prices that must be paid domestically for the intermediate inputs. More precisely, the effective rate of protection may be defined as the percentage increase in value added per unit of output made possible by the tariff structure.

"Value added" or "manufacturing value added" means the value of production (i.e., value of shipments adjusted for changes in the value of inventories of finished goods and goods in process) less the cost of materials consumed. Put another way, the larger the share of material costs in the overall sales value of output, the smaller the value added (by labour, capital and land) and vice versa.

(b) Calculation of Effective Protection²

A principal practical problem in quantifying the concept of effective protection is the fact that computations imply a knowledge of value added per unit of output, both before and after the imposition of tariffs. However, the only data available on the sales value of output, the cost of intermediate inputs and value added are those recorded under existing tariff arrangements. There is no definitive information as to what these magnitudes would have been in the absence of tariffs. Consequently, it is necessary to make a number of simplifying assumptions in order to estimate pre-tariff values from post-tariff numbers. The usual assumptions are as follows:

- (i) that the imposition of tariffs does not change domestic industry ratios of inputs to outputs (input-output coefficients);
- (ii) that domestic producers price their output at world price plus the tariff: hence, pre-tariff price is assumed to be the observed post-tariff price less the tariff; and
- (iii) Canadian purchases and sales have no influence on world prices for relevant inputs and outputs (i.e., elasticities of foreign supply and demand are infinite).

All of these assumptions are debatable. To the extent that they do not reflect conditions in the real world, they would tend, at least on balance, to overstate the degree of effective protection.

1. Harry G. Johnson, 'The Theory of Tariff Structure, with Special Reference to World Trade and Development', *Études et Travaux de l'Institut Universitaire de Hautes Études Internationales de Genève*, 1965, Vol. IV, p. 10.

2. This section follows the methodology adopted in James R. Melvin and Bruce W. Wilkinson, *Effective Protection in the Canadian Economy*, Economic Council of Canada, 1968.

(c) Data Sources and Limitations

Before the introduction of the HS, serious data problems impeded the calculation of effective rates of tariff protection for the Canadian economy. The commodity classifications used in the former *Customs Tariff* were not directly comparable with the commodity classifications used to measure either trade or domestic production; the commodity content of many tariff items could not be determined from the nomenclature, while input data were compiled and published on an industry rather than a commodity basis. Thus, while it was recognized that, for detailed tariff negotiation purposes, it would be useful to have effective rates of protection calculated for individual commodities or groups of commodities, the aforementioned shortcomings favored industry sector estimates, typically encompassing a range of (not always identifiable) products with differing rates of duty.

The adoption of the HS helped to alleviate these problems to some extent by resulting in the elimination of one of the commodity classification systems (the CITC). However, for most exercises of the kind under discussion, it did not do away with the necessity of attempting to recast industry-generated production statistics (notably, those having reference to commodity inputs, value of shipments and value added) within a trade/tariff framework.

In the case of the present inquiry, some of the problems were anticipated in the drawing up of the Tribunal's industry questionnaires. In particular, companies were asked to supply information with reference to product groupings based on the HS. However, gaps in the range of products covered in the questionnaire responses served to prohibit the calculation of effective rates of tariff protection for many HS groupings at the four-, six- or eight-digit level.

Accordingly, since the typical progression of textile production is from fibres to yarn to fabric to finished end product, groupings along these lines, differentiating between the products of natural fibres, on the one hand, and the products of man-made fibres, on the other, were adopted as being the most meaningful for analysis purposes. Rates of effective protection were not calculated for specialty textiles; detailed data were not available at the product level and averages would have no meaning because of different product chains (e.g., felts and non-wovens).

Effective rates of tariff protection are derived with reference to three key variables: the rate of duty on material input, the rate of duty on competing output and the percentage of the value of shipments, net of duty, attributable to the cost of materials (including fuel and electricity). The difference between this latter figure and the value of shipments constitutes value added.

For purposes of calculating effective rates of tariff protection with value added, material cost ratios were determined for each manufacturer-product combination. Subsequently, median average ratios were determined for each of the major product groupings. Using these ratios and nominal Schedule I MFN rates of duty, as appropriate, effective rates of tariff protection were calculated. Current rates of effective protection are displayed in Table 4.6 of Volume 1. The following table sets out the basic statistics used to plot Figures 5.1 and 7.2 in Volume 1.

BASIC STATISTICAL TABLE FOR FIGURES 4.4, 5.1 AND 7.2 OF VOLUME 1

<p align="center">Table V-7A</p> <p align="center">COMPARISONS OF EFFECTIVE RATES OF TARIFF PROTECTION</p> <p align="center">TEXTILES AND CLOTHING</p> <p align="center">(Percentage)</p>				
Products	Present	Option A	Option B	Tribunal's Recommendations
Man-made				
Fibres	20.9	14.1	12.3	12.3
Yarns	17.4	17.4	13.6	15.7
Woven Fabrics	36.9	22.0	16.9	21.8
Knitted Fabrics	40.4	18.4	17.9	23.5
Woven Clothing	22.2	27.8	30.3	28.3
Knitted Clothing	24.9	32.5	33.5	31.4
Natural				
Fibres	0	0	0	0
Yarns	30.7	19.1	21.9	24.2
Woven Fabrics	15.9	10.2	11.7	15.2
Knitted Fabrics	46.4	25.7	20.1	26.5
Woven Clothing	29.5	33.0	32.2	30.6
Knitted Clothing	24.9	32.5	33.5	31.4
Sources: Canadian <i>Customs Tariffs</i> and CITT survey of textile and clothing industries.				

8. Economic Analysis Methods

(a) Description of Industry Model

An econometric model of the textile and related industries was built for the CITT by Informetrica Limited.¹ The model has over 450 endogenous and nearly 500 exogenous variables. The industry model was designed to explain the industry-specific behavior of supply, demand, prices, employment and other economic variables for the major industry subgroups in the primary textile and downstream industry sectors of the Canadian economy. Where required, the assumptions, coefficients and results used or generated by the econometric model were also used by the benefit-cost model.

The behavior of various decision makers in the economy is represented in four key blocks of the model: imports, consumer expenditure, pricing and employment and wages. A number of potential response factors were not included in the model. The effect of a tariff reduction on exports was excluded because growth in exports is not likely to be very responsive to the relatively modest price changes resulting from the tariff reductions contemplated for purposes of this inquiry. The possible effect of tariff changes on investment was also excluded, mainly because of a lack of appropriate data to estimate complex investment functions at the subindustry level. The available data would have restricted the investment equation to one or two explanatory factors, compared with the multiplicity of factors which determine the investment decision at the subindustry level.

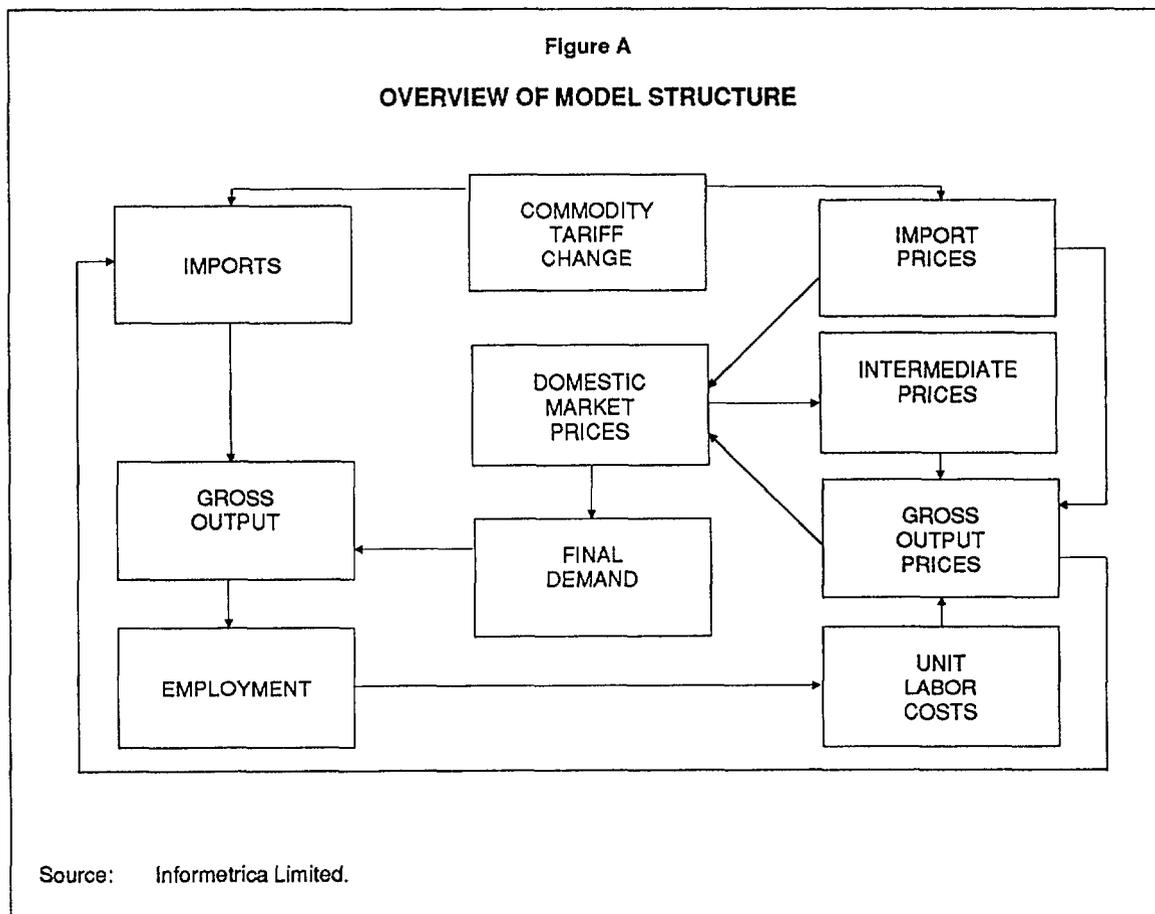
The effect of a reduction in tariffs is estimated by this model in the following way. A base case forecast is prepared which was consistent with the assumed macroeconomic environment, in the 1990s with the *Free Trade Agreement* in place. A tariff reduction is then specified and run through the model. The effect of the tariff reduction is calculated as the difference between the results of the new model run and the base case.

The specific assumptions used in the base case are of relatively little importance for the impact analysis even though they may be critical to each industry. This is because the principal focus in the impact analysis is on the difference between the base case and the response case arising from the tariff reduction. This approach directly measures the effect of a tariff reduction, holding all other factors constant. Any potential errors or omissions in the development of the base case may lead to "wrong" base case projections, but the use of identical assumptions in the response cases ensures that the effect of any problems in the base case will be netted out.

A reduction in import tariff rates would set up two streams of effects which are shown in Figure A. One set of effects would begin with an increase in the volume of imports in direct response to a reduction in the price of imports. By itself, this stimulus would reduce production and employment in the domestic industry. It would also lead to lower material input costs and, in turn, to lower domestic selling prices. The second stream of effects would be dependent upon the domestic textile industry lowering its prices to minimize its loss of market share to lower cost imports. The combined effects of lower import prices and somewhat reduced domestic textile prices would lead to lower material input costs and then to lower final demand prices.² With lower final demand prices, there should be some increased demand by consumers which in turn would lead to increases in gross output, both directly and through increased demands from other industries for materials.

1. Informetrica Limited, *The Impact of Tariff Reductions on the Textile and Downstream Industries: An Econometric Study*, prepared for the CITT, September 1989.

2. Figure 5.2 in Volume 1 is a pie-chart showing the components of clothing prices. The data used to plot the chart are to be found at the end of this subsection.



The net effect on gross domestic output will depend on the relative effects of the increased total demand which will tend to raise output and the direct substitution for domestic output by increased imports which will reduce demand for domestic output.

In a subsequent round of effects, the volume of imports would be influenced by the price response of domestic producers and the changing volumes of production. Finally, the production changes could lead to changes in unit labor costs, through changes in productivity and wage rates. These changes, in turn, would affect domestic producer prices which would feed through the entire production/consumption chain.

The effects of tariff reductions are displayed in Chapters V and VII of Volume 1. The basic data used to plot Figure 7.3 are to be found at the end of this subsection.

(b) Micro-Simulation Model

A micro-simulation model¹ was built to assess the economic effects of a tariff reduction at the industry and subindustry levels. Unlike the econometric model, the coefficients in this model are based on assumed behavioral responses. Two forms of this model were prepared. The first version tracks the impact of tariff changes from an upstream (primary textile) industry to two downstream (textile products and clothing) industries on an annual

1. Tim Hazeldine and Bernard Lapointe, *Two Trade Policy Simulation Models for Textiles and Downstream Industries in Canada*, September 1989.

basis from 1989 to 2000. Estimates of the impact of the assumed tariff cuts are generated for prices, costs, demand, employment and profits. The second version expands the detail of the production process to four stages (for example, fibres to yarns to fabric to clothing) and replaces the estimated annual changes with an estimate of the long-term effect of the tariff reduction.

In the first or "time-path" model, a tariff cut on imported primary textiles requires a series of assumed behavioral responses. First, to what extent will the price paid in Canada by purchasers of imported textiles reflect the tariff cut? Second, in response to the new set of import prices, to what extent will the domestic manufacturers of competing textiles match the change in imported prices? Third, to what extent can imported textiles be substituted for domestic textiles? Fourth, to what extent will downstream users reduce the prices for their finished products in response to lower input costs? Finally, to what extent will consumers increase their purchases in response to lower prices? The model proceeds on the basis of the assumed responses supplied by the user of the model.

The macroeconomic assumptions used in the econometric model to generate a base case forecast were also used for the base case in the micro-simulation model. For the October hearing, a case study was prepared using the time-path model. The effect of a tariff reduction of 33 percent for imports from the rest of the world was estimated. Despite the difference in size and methodology in the econometric and micro-simulation models, the findings from the smaller model supported the results from the larger model.

BASIC STATISTICAL DATA FOR FIGURE 5.2 OF VOLUME 1

Table V-8A COMPONENTS OF CLOTHING PRICES 1985	
	Percentage
Textile Raw Materials	(21)
<u>Man-made Fibre and Woven Cloth Industry</u>	
Imported Price for Fabrics and Fibres	2.0
Domestic Factory Gate Price	3.3
Other Costs (e.g., Paper, Needles, Energy, Rent)	15.4
Imported Clothing	(10)
Import Price, Landed	10.2
Clothing Production	(23)
Unit Labor Costs	12.1
Unit Capital Costs	3.7
Other Taxes	0.2
Clothing from Other Industries (e.g., Clothing from Textile Industry, Raincoats from Rubber Industry)	6.6
Distribution Costs	(43)
Retail and Wholesale Margins	41.6
Transportation Costs	1.8
Provincial Tax	(3)
Average Provincial Tax for Clothing	3.0

BASIC STATISTICAL TABLE FOR FIGURE 7.3 OF VOLUME 1

<p align="center">Table VII-8B</p> <p align="center">OUTPUT GROWTH IN TEXTILE INDUSTRY</p> <p align="center">(Annual Percent Change)</p>		
	Base Case	Proposal
1991	2.6	2.2
1992	3.5	3.2
1993	3.3	3.0
1994	3.2	3.0
1995	3.3	3.2
1996	3.1	3.0
1997	2.8	2.7
1998	2.7	2.6
1999	2.8	2.6
2000	2.8	2.8

<p align="center">EMPLOYMENT DECLINE IN TEXTILE INDUSTRY</p> <p align="center">(Annual Percent Change)</p>		
	Base Case	Proposal
1991	-2.1	-2.3
1992	-1.5	-1.7
1993	-1.3	-1.6
1994	-1.1	-1.3
1995	-0.7	-0.9
1996	-0.6	-0.8
1997	-0.6	-0.8
1998	-0.6	-0.7
1999	-0.6	-0.7
2000	-0.5	-0.6

Source: Informetrica Limited.

III — BACKGROUND TO THE INQUIRY

1. Minister of Finance's March 1988 Press Release

This section contains information on the conduct of the inquiry and on the documentation that was considered by the Tribunal in its deliberations. It starts with the Minister of Finance's Press Release of March 1988.

TARIFF RELIEF FOR THE TEXTILE AND APPAREL INDUSTRIES

The Honourable Michael Wilson, Minister of Finance, today announced a three-part program of tariff relief measures designed to strengthen the competitive positions of the Canadian textile and apparel industries in the domestic market. The program includes immediate tariff reductions on specialty fabrics, new duty remission programs and a plan to reduce textile tariffs in the future to levels comparable with those in other industrial countries.

The Minister said the measures respond to longstanding problems experienced by the domestic apparel and textile industries. Over the last two decades, the two industries, like those of other industrialized countries, have suffered from significant import penetration. This has occurred despite tariff rates that, in the textile sector, are generally about twice as high as those of other industrialized countries, including the United States.

In addition, the tariffs on fabric inputs of Canadian manufacturers are generally at or above the level of tariffs on imported finished products. As a result, downstream industries -- such as the apparel industry -- are at a competitive disadvantage in the domestic market against imported finished products.

"The key to the future of the textile and apparel industries is fundamental improvements in their ability to compete," Mr. Wilson said. "The tariff relief measures are a balanced approach designed to meet the different needs of both industries. They are aimed at bringing down the input costs of textile and apparel firms and encouraging them to restructure their operations in order to become more efficient and competitive. And the ultimate beneficiaries of improved competitiveness in these two industries will be Canadian workers and consumers."

The Minister noted that extensive consultations between the government and the two industries had taken place over the past few months. The measures reflect many ideas put forward by industry representatives on ways to improve their competitive position in Canada.

The three parts of the announced program, outlined below, are described in detail in the attached annexes.

Immediate Tariff Reductions on Specialty Fabrics

Mr. Wilson noted that Canadian textile producers have chosen to specialize in market niches that offer competitive opportunities. As a result, they no longer produce the full range of fabrics required by the apparel industry.

Consequently the government is taking steps to reduce or eliminate tariffs on 13 fabrics and yarns not made in Canada. Some of the tariff reductions will apply to imports from all countries and will take effect in September of this year. For other fabrics and yarns, only the duties on U.S. imports will be eliminated, effective January 1, 1989, when the Free Trade Agreement is implemented. Mr. Wilson estimated that the savings from this measure in duty payments by apparel manufacturers would amount to approximately \$14 million annually.

Duty Remission Programs

The Minister said that new duty remission programs will be introduced covering:

- denim fabrics imported by textile producers and apparel manufacturers;
- woven greige (unfinished) fabrics imported for purposes of finishing for use in apparel production;
- outerwear imported by apparel manufacturers and outerwear fabrics imported by textile producers;
- girls' and ladies' blouses and shirts imported by blouse and shirt manufacturers and by ladies co-ordinate manufacturers.

In addition to the new duty remission programs, Mr. Wilson announced that the tailored collar shirt duty remission program introduced in 1986 would be extended, with minor modifications. He also stated that the Customs Drawback Shirting Fabric Regulations and the Shirting Fabric Remission Order, introduced in 1969 and 1970 respectively, would be combined and extended.

"The new duty remission programs together with the existing programs that are being extended will encourage textile and apparel firms to restructure their operations and to round out and complement domestically produced fabric and apparel lines with imported products. The result will be better service and a broader product range to offer customers," the Minister said.

Mr. Wilson noted that if Canadian firms took full advantage of the new programs, the duties remitted under them would amount to about \$33 million annually. Similarly, the existing programs that are being extended would produce about \$16 million in annual duty savings.

Future Tariff Reductions

Mr. Wilson also announced that the government intends to take action to reduce Canada's textile tariffs to levels existing in other industrialized countries.

He noted that the current high textile tariffs in Canada imposed additional costs on all downstream users of textiles, particularly the apparel and furniture industries, and on consumers.

"The next decade will bring a more competitive business environment, both in Canada and the rest of the world," the Minister said. "In order to ensure that Canadian companies which use significant amounts of textiles can compete on an even footing with companies based in other countries, the government proposes to reduce Canada's textile tariffs over the next ten years to levels comparable with those of other industrialized countries."

Mr. Wilson stated that the government intends to make the first round of textile tariff cuts on January 1, 1990. However, he wished to hear the views of all interested parties on the extent and pace of future tariff cuts before proceeding with full implementation of the program.

Accordingly, the government has decided to seek advice from the new Canadian International Trade Tribunal on the levels of future reductions in textile tariffs. The

Tribunal is expected to be formed later this year from the amalgamation of the Canadian Import Tribunal, the Tariff Board and the Textile and Clothing Board. It will be asked to recommend how Canada's textile tariffs can best be brought into line with those of other industrialized nations, taking into account Canada's objectives in the current GATT Round of Multilateral Trade Negotiations (MTN) underway in Geneva.

The Minister said, "We want expert opinion on whether duties should be reduced at an even pace on all fabrics where tariffs are high, or whether there are some areas where reductions should occur faster or slower or not at all. We want all interested parties to have an opportunity to give evidence and present their views on these issues to the Tribunal."

The Tribunal will be asked to pay particular attention to the effect of the relatively high Canadian textile tariffs on apparel manufacturers and furniture makers and to the impact of the proposed reductions on the Canadian textile industry. It will also be asked to look at the relativity that should exist in the tariff at the different levels of the manufacturing chain -- for example, from fibres and yarns, the major source of input into fabric production, to the duties on apparel and other end products. As well, the Tribunal will be asked to hear suggestions and make recommendations on possibilities for accelerated reductions of textiles and apparel tariffs in the context of the Canada-U.S. Free Trade Agreement.

Mr. Wilson also expressed his interest in having the Tribunal comment on areas where fabric or yarn tariffs could be removed completely without adversely affecting domestic textile production. The Tribunal will be asked to submit its report by June 30, 1989.

For further information:

Tariffs Division
Department of Finance

Bill McCloskey
(613) 992-6881

or

Sheila Riordon
(613) 992-6355

ANNEX 1

IMMEDIATE TARIFF REDUCTIONS ON SPECIALTY FABRICS

Duty Elimination on Fabrics from All Sources

Commencing in September 1988, the customs duty will be removed for an indefinite period on a number of broadwoven specialty fabrics not made in Canada. The tariff elimination will cover importations for use by the apparel industry from all foreign suppliers. The specialty fabrics on which the duty will be removed are:

- woven fabric containing 35 per cent or more by weight of silk;
- woven fabric containing 85 per cent or more by weight of linen;
- cotton woven fabric made of combed yarn of counts finer than 100 decitex;
- fabric containing 20 per cent or more by weight of metallized yarns;
- hand-woven tweed fabric.

Duty Elimination on Fabrics of U.S. Origin, Partial Reduction on Fabrics from Other Sources

Commencing on January 1, 1989, duties on a number of specialty apparel fabrics from the United States that are not made in Canada will be eliminated. The duty on these fabrics when imported from non-U.S. sources will be reduced by 50 per cent. The specialty fabrics covered by these measures include:

- jacquard woven fabric;
- woven fabric not exceeding 70 grams per square meter not including lining fabric.

Duty Elimination on Fabrics and Yarns from the U.S. Only

Commencing on January 1, 1989, the duty on certain fabrics and yarns used by the apparel industry and not made in Canada will be removed on imports from the U.S. This duty removal includes:

- corduroy;
- textured nylon yarn, 56 decitex or finer, for hosiery;
- leno woven fabric containing 50 per cent or more by weight of cotton;
- woven fabric containing 85 per cent or more by weight of camel hair;
- certain fabric of cotton-wool blended yarns for shirts and blouses;
- the U.S. value added on Canadian knitted fabric of nylon and elastomeric yarn exported to the U.S. for printing and returned to Canada for manufacturing swimwear.

ANNEX 2

DUTY REMISSION PROGRAMS

New Duty Remission Programs

As a result of extensive consultations with the apparel and textile industries, new duty remission programs are being introduced. These programs are designed to assist the domestic industries to restructure their operations by encouraging them to achieve greater efficiency by concentrating on producing certain lines in Canada while at the same time rounding out their product mix with imports. This strategy will better enable them to offer a broader range of products to the retailer. Under the programs, benefits will increase as the level of domestic production increases, with penalties for reductions in production. The programs, which will take effect January 1, 1989, include:

- Duty remission on **denim fabrics**. This program will allow denim fabric producers to import denim fabric duty free from the U.S. in an amount up to 20 per cent of their domestic production. As well, denim apparel manufacturers will be allowed to import U.S. denim fabric duty free subject to domestic sourcing requirements. Canada will also accelerate tariff reductions on denim under the Free Trade Agreement so that in year five of the transition period the Canadian denim tariff will be reduced to U.S. levels. (Canada's denim tariff is currently 17.5 per cent on denim made from cotton and 25 per cent on other denim. It will be reduced over the next five years to 3.5 per cent on denim made from cotton and to 3.8 per cent on other denim fabric.)
- Duty remission on **fabrics for converters**. This program would enable dyers and finishers of greige apparel fabrics to import an amount of fabric, duty free, up to 30 per cent of their Canadian value added. The program is designed to help strengthen a component of the textile industry which offers an important service to the apparel trade.
- Duty remission on **outerwear and outerwear fabrics**. This program will allow outerwear manufacturers to import, duty free, an amount up to 15 percent of their domestic production of outerwear made from synthetic and cotton fabrics. The level of benefits will be contingent on the degree of domestic sourcing of fabrics. In addition, manufacturers of synthetic and cotton fabrics for the outerwear sector will be able to import fabrics for outerwear production duty free in an amount up to 30 per cent of a firm's domestic production of such fabrics.
- Duty remission on **girls' and ladies' shirts and blouses**. Under the program, girls' and ladies' shirt and blouse manufacturers will be able to import an amount up to 20 per cent of their production of blouses duty free to complement domestically made lines. The level of benefits will be contingent on certain conditions regarding sourcing of fabrics in their operations. Benefits will also be extended to ladies co-ordinate manufacturers -- firms which are primarily engaged in the production of two or more matched co-ordinates (e.g. skirts and jackets) and which import shirts and blouses to offer a complete package to retailers. The program will allow such manufacturers to import shirts and blouses in an amount up to 10 per cent of their production duty free.

Extension of Existing Duty Remission Programs

In addition to the new duty remission programs being introduced, the remission program for tailored collar shirts introduced in 1986 and the remission order and drawback regulations on shirting fabrics in existence for nearly 20 years are being extended as of January 1, 1989, with minor modifications to better reflect current market conditions.

- The **shirting fabric program** will allow weavers and converters of printed shirting fabrics to import printed fabrics, not made in Canada, duty free to complement domestic lines. In addition, shirt manufacturers will be able to import yarn-dyed shirting fabrics on the basis of domestic sourcing of printed fabrics.
- The **tailored collar shirt program** will remit duties to shirt manufacturers on imports of men's and boys' shirts up to a manufacturer's level of domestic production in units, the level of benefits contingent on the degree of domestic sourcing of fabrics.

ANNEX 3

REFERENCE TO THE CANADIAN INTERNATIONAL TRADE TRIBUNAL

The Minister of Finance announced today that the government intends to progressively reduce Canada's textile tariffs to the levels of those of other industrialized nations.

Mr. Wilson stated that the new Canadian International Trade Tribunal will be asked to study the economic impact of textile tariffs on both producers and users, and to make recommendations on the levels to which the tariffs should be reduced, bearing in mind Canada's objectives in the Uruguay Round of Multilateral Trade Negotiations currently underway in Geneva. The government intends to make the first round of reductions in textile tariffs on January 1, 1990. The Tribunal, which is expected to be established later this year from the amalgamation of the Canadian Import Tribunal, the Tariff Board and the Textile and Clothing Board, will be asked to advise on the level and pace of reductions.

The following is the reference that will be made to the Tribunal.

Preamble

Fabrics and yarns constitute a significant portion of the overall cost of manufacturing finished apparel products. Traditionally, the tariffs on these input materials, and in particular on fabrics, have generally been maintained at high levels to provide protection to the domestic textile industry, an industry that has, for many years, been facing stiff import competition. The effects of this policy, however, have increased costs for the apparel industry; for many other downstream sectors such as upholstered furniture manufacturers, which are themselves faced with strong import competition; and for consumers.

The measures which domestic textile producers have taken to achieve greater economies of scale by rationalizing product lines have caused the apparel industry to resort increasingly to using off-shore fabrics to obtain the variety and style of inputs needed to maintain their markets in Canada. Canada's textile tariffs are almost twice as high as the textile tariffs of all other major industrialized countries, including our major trading partner, the United States.

Normally, the tariffs on inputs for Canadian manufacturers are lower than those on the finished product, thus providing a reasonable level of effective protection at each stage of the manufacturing process. This relativity does not exist in the textile and apparel sectors where the tariffs on the finished product, apparel, are about the same as the tariff on many of the fabric inputs. Similarly, in the furniture sector the tariffs on fabric inputs are often as much as 10 percentage points higher than those on upholstered furniture. The tariff structure in this area has placed the downstream industries at a competitive disadvantage in the Canadian market against imports of the finished products.

These factors argue the need to lower the tariffs on textiles to a level more in line with those in other major industrialized countries. Such action should take into account major changes which will be occurring in Canada's trading arrangements, specifically the implementation of the Canada-U.S. Free Trade Agreement and the Multilateral Trade Negotiations now in progress.

Tariff reductions would have to be implemented in a manner that takes into account the importance of the domestic textile industry to the Canadian economy. They should be consistent with the textile industry's ongoing efforts, through heavy investment and rationalization of production, to enhance the viability of its operations and to adjust to the

international trading environment. They should also take into account the significant role the industry plays in the economic well-being of many small communities in Canada.

The Tribunal will be asked to hear the views of all interested parties before determining the manner in which the tariff reductions could best be implemented.

Terms of Reference

The government would like advice from the Canadian International Trade Tribunal on a plan to lower Canada's textile tariffs to levels comparable with those of other industrialized countries, particularly the United States, in annual stages over a ten-year period beginning January 1, 1990. In considering this plan, the Tribunal should indicate whether there are some areas where tariff reductions should occur faster or slower or not at all. Accordingly, the Tribunal is directed to:

- assess the economic impact of bringing Canada's textile tariffs down to levels comparable with those of our major industrialized trading partners, paying particular attention to the textile tariffs affecting the apparel and furniture industries, and recommend the level and pace of tariff reductions that will maximize the economic gains to Canada without causing undue hardship to domestic suppliers of textile products;
- make specific recommendations on the ultimate level to which textile tariffs should be reduced over the next ten years, bearing in mind Canada's objectives in the Uruguay Round of Multilateral Trade Negotiations (MTN) currently underway;
- make recommendations on what should be the pace of the tariff reductions and, specifically, whether the tariffs on some fabrics and yarns could be reduced at an accelerated pace without causing injury to textile producers;
- make recommendations on the scope for accelerated bilateral reductions of textile tariffs under the Free Trade Agreement with the United States;
- assess and make recommendations on the level of relativity that should exist in the tariff protection at the various levels of the manufacturing chain (i.e., from fibres and yarns through fabric to finished product);
- report to the government by June 30, 1989.

FACT SHEET: THE CANADIAN TEXTILE INDUSTRY

Description of Sector

The Canadian textile industry's 1,070 establishments employ 63,800 people, 43 per cent of whom are women. The industry is concentrated in Quebec and Ontario, which account respectively for 52 and 41 per cent of total sector employment. Most of the remaining jobs are in the Atlantic provinces, Nova Scotia in particular.

Total sector shipments amount to \$5.8 billion annually. Of this amount \$660 million worth, or roughly 11 per cent, is exported. Imports represent about a third of the domestic market by value.

Since the early 1970s, the textile industry has maintained its domestic market share at a more or less constant level (70 per cent by value), with imports coming mostly from other developed countries, the U.S. in particular. However, since the early 1980s, low-cost countries have been increasingly displacing developed countries and now account for one quarter of the total import share.

The industry has three broad subsectors: primary textiles (fibres, yarns and fabrics); carpets; and miscellaneous textile products (canvas and household goods, rope and twine, hygiene products, etc.). Primary textiles account for 65 per cent of all sector shipments and almost 85 per cent of all exports. The other two subsectors are largely domestic-market oriented, with exports not exceeding 10 per cent of domestic production.

The primary textiles and carpet subsectors have both focused on adopting state-of-the-art technology to keep pace with the U.S. In primary textiles, a significant rationalization of both firms and product lines has occurred in the last two decades, resulting in a reduced range of domestically woven fabrics gaining the economies of scale necessary to be internationally competitive. The technologies used by the miscellaneous textiles subsector, however, are more labour-intensive and, as a result, have led to a more fragmented production capacity and less productive operations in comparison to the other two subsectors.

Trends and Prospects

Without access to a larger market, the textile industry's prospects for growth will be limited. Its most important market -- apparel textiles, which account for about 40 per cent of all fabric production -- will be experiencing pressure from increased imports of clothing from low-wage countries. In addition, there will be increasing direct competition from low-wage sources in a widening range of primary textiles. The industry has invested heavily in the most modern technologies available to reduce production costs. A new trend that is gaining momentum in the industry is the adoption of the so-called "just-in-time" concept, whereby the organization of production and marketing is being restructured to respond more quickly to fashion changes and to better service the needs of the smaller clothing firms which constitute the majority of companies in the industry. As a reflection of this emerging trend, recent developments in equipment and machinery increasingly focus as much on versatility and product quality as they do on speed and reliability.

These initiatives will not be sufficient, however, to enable the industry to recapture markets already lost to import competition.

Existing Trade Barriers

Canada has relatively higher tariff barriers compared to those of the U.S. Currently, the tariffs for the industry average 18.2 per cent in Canada and 10.4 per cent in the U.S. Wool fabrics are a notable exception to this pattern with the U.S. *ad valorem* equivalent tariffs on some specific fabrics running as high as 46 per cent compared to 25 per cent in Canada.

Under the Multi-Fibre Arrangement (MFA), most developed countries, including Canada and the U.S., have negotiated import restraint agreements covering textiles and apparel with many low-wage countries.

Applicable Elements of the Canada-U.S. Free Trade Agreement

The critical elements of the Agreement for the textile sector are the phase-out of tariffs over a 10-year period and the special rules of origin for textiles and apparel designed to prevent "backdoor" importation of cheap textile products from low-cost countries.

In general, the new rules of origin mean that fabrics and textile made-up articles (e.g., bedsheets, tablecloths, curtains, blankets, towels, etc.) made from third-country yarns will not qualify for duty-free entry under the Agreement. However, Canada negotiated a special exemption from this rule in the form of a tariff rate quota which will allow the Canadian textile industry, in any calendar year for the first four years of the Agreement, to export at the preferential tariff rate up to 30 million square-yard-equivalents of non-wool fabrics and textile articles containing third-country yarns.

Provisions in the Agreement allow for the relaxation of the special rules of origin for textiles in case of inadequate availability of certain textile raw materials in either country and for the review of the tariff rate quota level within two years of implementation of the Agreement.

FACT SHEET: THE CANADIAN APPAREL INDUSTRY

Description of Sector

The apparel sector consists of manufacturers of apparel for consumers and industrial and institutional applications.

Predominantly Canadian-owned (99 per cent), the industry employs approximately 113,000 people in about 2,500 establishments located primarily in large urban centres concentrated in Quebec (around 60 per cent of employment), Ontario (30 per cent), and Manitoba (6 per cent). Approximately 75 per cent of industry jobs are filled by women. In addition, women represent the majority of the estimated 30,000 "home workers" in the sector.

Industry shipments are valued at \$5.7 billion annually, of which \$0.4 billion are exported. Imports amount to about \$2.1 billion a year.

In recent years, with assistance from the former Canadian Industrial Renewal Board, the industry has made concerted efforts to improve its competitiveness by applying new technologies, such as computer-aided design and manufacture, to various stages of production. To date, these efforts have not been sufficient, by themselves, to offset the wage cost advantage favouring exporters in low-wage countries.

Low-cost imports have continued to increase at rates in excess of the growth in the Canadian market. These imports pose a continuing threat to the viability of the Canadian clothing industry. However, in subsectors such as fur apparel and designer fashion, Canada is able to compete successfully on quality, style and price on a worldwide basis.

For many years, apparel manufacturers have not been able to rely exclusively on Canadian-made fabrics. The variety of fabric styles and patterns required to meet the increasing demand for fashion apparel is not available domestically in a sufficiently broad range because textile manufacturers have had to rationalize their operations. As a consequence, apparel manufacturers import about 60 per cent by volume of their woven fabric requirements and the customs duties payable on these imports (which average 21.5 per cent and in 1987 amounted to approximately \$200 million) are an additional cost to the industry.

Trends and Prospects

The combination of modest growth in Canadian demand for apparel and continued pressure from low-wage countries will leave very little scope for expansion of the Canadian apparel industry. In the face of this competition, domestic clothing manufacturers have adopted different adjustment strategies: investment in state-of-the-art technologies to improve productivity and shorten production cycles; direct importing to complement domestic production and offer an attractive package to the retailer; market positioning in niches that are insulated from direct low-cost competition; improved servicing of client needs; and co-operative advertising. These initiatives have reduced the competitive advantage of clothing producers in low-wage countries by putting the emphasis on other aspects of the competitive equation. Nevertheless, the small Canadian market can only support limited production in those segments which are better insulated from low-cost import competition. Anticipated technological breakthroughs in the clothing manufacturing process will take years before they make a real difference on cost structures.

Existing Trade Barriers

Canada, like other industrial countries, maintains high tariffs on clothing (an average 25 per cent versus 9 per cent for all manufacturing). The average U.S. rate of duty on clothing is 22.5 per cent. Canada's export efforts in the U.S. have been hampered by major non-tariff barriers such as country-of-origin regulations, public procurement practices, flammability standards and labelling requirements.

To promote orderly growth in international trade and to protect the clothing industry, Canada has signed the International Multi-Fibre Arrangement (MFA) under the General Agreement on Tariffs and Trade (GATT) and has negotiated bilateral import restraint arrangements under this agreement with 25 low-cost countries.

Applicable Elements of the Canada-U.S. Free Trade Agreement

Tariff elimination under the Canada-U.S. Free Trade Agreement is scheduled to be phased in over a period of 10 years for both the Canadian and U.S. apparel and textile industries.

As a general rule, apparel made from third-country fabrics is not eligible for duty-free treatment under the Agreement. However, the Agreement does contain a provision whereby, in any calendar year, Canadian apparel exports to the U.S. made from third-country non-woollen fabric up to 50 million square-yard-equivalents plus up to 6 million square-yard-equivalents for garments made of woollen fabrics will qualify for the Agreement's preferential tariff treatment. The Canadian duty-free limits (or tariff rate quotas) on similar apparel imported from the U.S. are 10.5 million and 1.1 million square-yard-equivalents, respectively.

As well, Canadian apparel manufacturers whose exports are subject to the most favoured nation (MFN) rate because they do not meet the Agreement's rules of origin will continue to benefit from duty drawback provisions -- under which duties on imported fabric are refunded on export -- for an indefinite period under the Agreement. For other industrial sectors, duty drawback will be eliminated within five years of the date of implementation of the Agreement for bilateral trade with the U.S.

Under another provision, both countries have agreed to move toward harmonizing their regulations in such areas as flammability and labelling.

2. CONDUCT OF THE INQUIRY

This section includes:

- List of Counsel
- List of Witnesses
- Visits of Firms by Tribunal Members and Staff

LIST OF COUNSEL
COUNSEL OF RECORD

Peter Clark
Peter Burn

Grey, Clark, Shih and Associates
Ottawa, Ontario

C. Douglas Arthur

C.D. Arthur and Associates Inc.
Ottawa, Ontario

Represent

Men's Clothing Manufacturers' Association
Men's Clothing Manufacturing Association of Ontario
Quebec Council of Odd Pants Employers
Men's Outerwear Industry of Quebec and Ontario
Men's Odd Pants Industry of Quebec and Ontario
Canadian Shirt Manufacturers Association
Commonwealth Curtain Company
Carsilco International Inc.
Hathaway
Flamcan Inc.
Canadian Apparel Manufacturers Institute
Quebec Outerwear Knitters' Association
IKO Industries Ltd.
CanRoof Corporation Inc.

Peter Clark

Also represents
The Arrow Company
Camp-Mate Limited, Scarborough, Ontario

C. Douglas Arthur

Also represents
Camp-Mate Limited, Scarborough, Ontario

Patt MacPherson

Corporation House
Ottawa, Ontario
Osler, Hoskin & Harcourt
Ottawa, Ontario

John M. Coyne, Q.C.

Represent
Canadian Textiles Institute

James McIlroy
James Kelleher P.C., Q.C.
Robert Kreklewetz

Aird & Berlis
Toronto, Ontario

Represent
Dominion Textile Inc.

Joseph G. Thomson

Norizons Inc.
Ottawa, Ontario

Represents
Canadian Down and Feather Products Association

T. B. Smith, Q.C.
Martine M.N. Band

Stikeman, Elliott
Ottawa, Ontario

Represent
Retail Council of Canada

LIST OF WITNESSES

June 12, 1989, Hearing

Eric Barry	President Canadian Textiles Institute
Elizabeth Siwicki	Vice-President Trade Policy Canadian Textiles Institute
Harold M. Erlendson	Director Government and Industry Affairs Du Pont Canada Inc.
George M. McGinn	General Manager Textile Fibres Celanese Canada Inc.
Chris J. Bateson	Quality Process Manager and Government Relations Co-ordinator Celanese Canada Inc.
Luis G. Monton	President and CEO Monterey Textiles Inc.
Richard W. Zuckerman	Doubletex Inc.
Arthur Roskies	Managing Director Huntingdon Mills Ltd.
Mel Walker	President The Cambridge Group of Companies
Terry Collins	President Concepts Plus Inc.
Martin Rosen	Executive Vice-President The Cambridge Towel Corporation

Jock White	Chairman Patons & Baldwins Canada Inc.
Robert Diguer	Executive Vice-President Canadian Council of Furniture Manufacturers
Norm Sobel	Heitner
Morton Grostern	Grostern Consultants Inc.
Charles H. Hantho	President & Chief Operating Officer Dominion Textile Inc.
Jack Kivenko	Jack Spratt Manufacturing Inc.
Joe Schaffer	Algo Industries Ltd.
Elliot Lifson	Algo Industries Ltd.
Claude Lapierre	President Claudel Lingerie Inc.
Leonard Kaplow	Vice-President of Marketing Canadelle Inc.
James R. Purkis	President Caulfeild
Cecil Yan	General Manager Rice Sportswear Ltd.
Russill H. Morin	President Russill H. Morin Ltd.
Alvin C. Segal	President Peerless Clothing Inc.
Jeff Otis	President and Chief Operating Officer Grand National Trouser Inc.

Larry Enkin	President Coppley Apparel Group
Philip C. Turner	President The Arrow Company
Roger J. Keeling	President Hathaway Dior-Pringle
Daniel Fitzpatrick	Executive Vice-President The John Forsyth Company Inc.
Vagn A. Hansen	Manager of Engineering Hathaway Shirts
William Cline	President Cline & Co.
Ralph Bienstock	President Boutique Knitting Mills Inc.
George Papp	President Parktown Knitting Mills (1983) Inc.
Robert Carsley	Carsilco International Ltd.
Louis Flam	Chairman Flamcan Inc.
Lorne N. Warner	Manager Special Projects IKO Industries Ltd.
Saul Levenson	President Commonwealth Curtain Co. Ltd.
Harvey Bhereur	Senior Vice-President — Merchandising Commonwealth Curtain Co. Ltd.
Michael H. Caplan	President Nalpac Company (The)

Jacques Lamer	Nalpac Company (The)
J.F. Trickett	President Consoltex Canada Inc.
Robert A. Thompson	Director Corporate Operations and Government Relations Consoltex Canada Inc.
Jean-Guy Dionne	Chairman of the Board and CEO Textiles Dionne Inc.
Basile Toutoungi	Vice-President Sales & marketing Textiles Dionne Inc.
Ben Feldman	President Camp-Mate Limited
Dawn Henderson	Chairman B.C. Fashion & Needle Trades Association
Jack McConaghie	President Barry Manufacturing Co. Ltd.
F. Hugh Brennian	Executive Director Canadian Glove Manufacturers Association Ltd.
Michael G. Teeter	Senior Associate Strategicon Inc.
James T. Holleran	Jones Leisure Products Ltd.
Gary T. Steiman	President Gemini Fashions of Canada Ltd.
James M. Massengale	General Manager Milliken Industries of Canada Ltd.
Catherine D. McCutcheon	Arthur Andersen & Co.

Steven Mlotek	Executive Vice-President Imperial Feather Corporation (Toronto) Limited
Rod Sanderson	Les duvets Ungava
Henning Wennerwald	Cuddle-Down Products Ltd.
J. Douglas Pryde	President Feather Industries (Canada) Limited
Richard De Blois	Lawyer Affiliated Customs Brokers Limited
Sydney Martin	Consultant Affiliated Customs Brokers Limited
I.E. Parker	Director of Corporate Development Crossley Carpet Mills Ltd.
P.J. Nygard	Chairman Nygard International
Lise Charron	Director Trade Affairs Canadian Operations Dominion Textile Inc.
Arthur A. DeFehr	President Palliser Furniture
Mel Fruitman	Vice-President Retail Council of Canada
Albina Klowak	Assistant to the President, CEO Sears Canada Inc.
Edward T. Matier	National Merchandise Manager Ladies and Junior Sportswear & Dresses Sears Canada Inc.

Peter W. Peddie	National Merchandise Manager Men's Casual Apparel Sears Canada Inc.
A.D. Weisbrot	Director of Marketing & Sales F.W. Woolworth Co. Limited
John Kerr	Product Development Manager Hudson's Bay Company
Michael J. Warwick	Senior Vice-President Fashion Apparel The T. Eaton Company Limited
Roger Beaudoin	President Cookshire Tex Inc.
J. Ronald Stanford	President West Coast Woolen Mills Ltd.
N.A. Longlade	President and Chief Executive Officer Cleyn & Tinker Inc.
Jean Picard	Chairman of the Board Satexil Inc.
Harold O. Dynna	General Manager Firestone Textiles Company
R. Gary Salm	President Bell Tootal Inc.
Saul Mimran	President and Managing Director Monaco Group Inc.
William R. Luber	President Lubertex Inc.
Franklin Yanofsky	Vice-President Lubertex Inc.

Glenn Turnbull Director of Merchandising
Tip Top Tailors and Weston Apparel

David M. Beiles Vice-President
Corporate Development
Dylex Limited

Andor Roberts Elite Blouse & Skirt Mfg. Ltd.

Michael W. Davis President
L. Davis Textiles Co. Limited

George Guttman President and CEO
Paris Star Knitting Mills Inc.

Don Cardi Vice-President
Finance
Paris Star Knitting Mills Inc.

Cindy Zeesman Fabric Purchasing
Paris Star Knitting Mills Inc.

I. Gillman President
Giltex Hosiery Inc.

James H.F. Kenny President
Hanson-Mohawk Inc.

Sanford Archibald Chairman
Britex Ltd.

Arnold Stark President
Freudenberg Nonwovens Inc.

Kornel H. Wolters President
J.L. de Ball Canada Inc.

October 23, 1989, Hearing

Ron W. Erdmann Executive Director of Research
Canadian International Trade Tribunal

Peter Welsh	Director Research Branch Canadian International Trade Tribunal
Peter J. Bowden	Research Manager Research Branch Canadian International Trade Tribunal
Doug Kemp	Research Officer Canadian International Trade Tribunal
Tim Hazledine	Associate Professor Faculty of Agricultural Sciences University of British Columbia
Sandy Greig	Director Research Branch Canadian International Trade Tribunal
Michael C. McCracken	President Informetrica Limited
Peter M. Cleveland	Senior Vice-President Clarkson Gordon
Stephen M. Tanny	Chief Economist Woods Gordon
Avery Shenfeld	Senior Consultant Woods Gordon
Peter Rakowski	Research Officer Canadian International Trade Tribunal
Ken Besharah	Senior Advisor Canadian International Trade Tribunal
Dave Chatterson	Research Officer Canadian International Trade Tribunal
Daryl Poirier	Research Officer Canadian International Trade Tribunal

Campbell Stuart	Consultant
Murray G. Smith	Director International Economics Program The Institute for Research on Public Policy
Mary H. Walsh	Director Research Branch Canadian International Trade Tribunal
Donald Grant McFetridge	Professor Department of Economics Carleton University
Douglas A. Smith	Associate Professor Department of Economics Carleton University
Keith Vodden	Professor Department of Economics Carleton University
Dennis Featherstone	Director of Economics Research Branch Canadian International Trade Tribunal
Don Shires	Research Officer Canadian International Trade Tribunal
Eric Barry	President Canadian Textiles Institute
Elizabeth Siwicki	Vice-President Trade Policy Canadian Textiles Institute
Jean-Guy Dionne	Chairman of the Board and CEO Textiles Dionne Inc.
Basile Toutoungi	Vice-President Sales & marketing Textiles Dionne Inc.

Harold M. Erlendson	Director Government and Industry Affairs Du Pont Canada Inc.
Jock White	Chairman Patons & Baldwins Canada Inc.
Claude Gingras	President Centrale des Syndicats démocratiques
Yvon Jacques	Director of Professional Services Fédération canadienne des travailleurs du textile inc.
Pierre-Yvon Ouellet	Technical Advisor Centrale des Syndicats démocratiques
Robert Bougie	President Fédération canadienne de travailleurs du textile Inc.
Robert A. Thompson	Director Corporate Operations and Government Relations Consoltex Canada Inc.
Roger Beaudoin	President Cookshire Tex Inc.
Raoul Verret	President Werner International Management Consultants
André Renaud	Research Officer Canadian International Trade Tribunal

Note: Some English titles are unofficial translations of the French titles.

VISITS TO FIRMS BY TRIBUNAL MEMBERS AND STAFF

COMPANY NAME	MUNICIPALITY	PROVINCE	SECTOR
TEXTILES			
Britex Ltd.	Bridgetown	Nova Scotia	Woven and knitted fabrics
Canadian General Tower Limited	Cambridge	Ontario	Coated fabrics
Cannon Knitting Mills Limited	Hamilton	Ontario	Knitted fabrics
Celanese Canada Inc.	Millhaven	Ontario	Synthetic fibres and yarns
Cleyn & Tinker Inc.	Huntingdon	Quebec	Worsted yarns and fabrics
Consoltex Canada Inc.	Cowansville	Quebec	Man-made fibre fabrics
Dominion Textile Inc.	Magog	Quebec	Cotton and polycotton yarn and fabrics
Du Pont Canada Inc.	Kingston	Ontario	Synthetic fibres and yarns
Glendale Spinning Mills (1981) Ltd.	Hamilton	Ontario	Cotton and polycotton yarns
Hafner Fabrics of Canada Limited	Granby	Quebec	Man-made fibre fabrics
Nalpac Company (The)	Montréal	Quebec	Knitted fabrics and lace
Patons & Baldwins Canada Inc.	Toronto	Ontario	Synthetic yarns
Satexil (Artex Division)	Cambridge	Ontario	Woollen yarns and fabrics
West Coast Woollen Mills (1986) Ltd.	Vancouver	British Columbia	Worsted fabrics
CLOTHING			
Algo Group Inc.	Montréal	Quebec	Ladies' dresses and sportswear
Aquascutum Canada Ltd.	Montréal	Quebec	Raincoats and overcoats
Arrow Company (The)	Kitchener	Ontario	Men's shirts
Canadelle Inc.	St. Léonard	Quebec	Foundation garments
Coppley, Noyes and Randall Ltd. (The)	Hamilton	Ontario	Men's fine suits
Gemini Fashions of Canada Ltd.	Winnipeg	Manitoba	Children's outerwear
Harley Manufacturing	Montréal	Quebec	Children's wear
Jantzen Canada Inc.	Vancouver	British Columbia	Sportswear/swimwear
L. Davis Textiles Co. Ltd.	Toronto	Ontario	Infants' and children's wear
McGregor Hosiery Mills	Toronto	Ontario	Hosiery
Mister Leonard Inc.	Toronto	Ontario	Ladies' sportswear and blouses
Mr. Jax Fashions Inc.	Vancouver	British Columbia	Ladies' designer fashions
Mustang Industries Inc.	Richmond	British Columbia	Life jackets and safety apparel
Nova Scotia Textiles Limited	Windsor	Nova Scotia	Underwear, sweatwear and T-shirts

COMPANY NAME	MUNICIPALITY	PROVINCE	SECTOR
Nygard International	Winnipeg	Manitoba	Ladies' coordinates and sportswear
Peerless Clothing Inc.	Montréal	Quebec	Men's fine suits
Sport Maska Inc.	St-Hyacinthe	Quebec	Athletic wear
Stanfield's Ltd.	Truro	Nova Scotia	Hosiery, underwear, sweatwear/T-shirts
Sun Ice Ltd.	Calgary	Alberta	Skiwear/outerwear
Western Glove Works	Winnipeg	Manitoba	Jeans/workwear

HOME FURNISHINGS

Bauhaus Designs Canada Ltd.	Weston	Ontario	Upholstered furniture
Biltmore Chesterfield Creations Inc.	Montréal	Quebec	Upholstered furniture and mattresses
Cambridge Towel Corporation (The)	Cambridge	Ontario	Towels
Crossley Carpet Mills Ltd.	Truro	Nova Scotia	Carpets
Dominion Textile Inc.	Magog	Quebec	Home Furnishings
Palliser Furniture	Winnipeg	Manitoba	Upholstered furniture
Simmons	Brampton	Ontario	Mattresses
Sklar Pepplar	Whitby	Ontario	Upholstered furniture

CLOTHING IMPORTS

Monark Sales	Montréal	Quebec	Clothing Imports
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RETAILERS

Dallaird's	Montréal	Quebec	Retail/ladies' apparel manufacture
Marks & Spencer	Malton	Ontario	Retail
Sears Canada Inc.	Ville St-Laurent	Quebec	Retail

3. DOCUMENTATION

Lists of documentation for the inquiry are to be found in the following pages.

There were three main sources of information:

- Transcripts
- Submissions and Exhibits
- Staff Papers

TRANSCRIPTS

June/July Hearings	19 public volumes 15 <i>in camera</i> volumes Total 34 volumes
October/November Hearings	10 public volumes 3 <i>in camera</i> volumes Total 13 volumes
Total for both hearings	47 volumes
Number of Pages	6,971 pages

Copy of Transcripts can be obtained from:

Steno Tran Services Inc.
1376 Kilborn Avenue
Ottawa, Ontario
K1H 6L8
Tel.: (613) 521-0703
Richard or Linda Johansson

LIST OF SUBMISSIONS AND EXHIBITS

Doubletex Inc.
R.A. de Barros
Canadian Importers Association Inc.
Sol Heitner et Fils Inc.
The Cambridge Towel Corporation
Canadian Glove Manufacturers Association Ltd.
Consumers' Association of Canada
Huntingdon Mills Ltd.
Canadian Down and Feather Products Association
Milliken Industries of Canada Ltd.
Campmate Limited
The Arrow Company
Hathaway
Carsilco International Inc.
Flamcan Inc.
Retail Council of Canada
Canadian Shirt Manufacturers Association
Patons & Baldwins Canada Inc.
Canadian Textile Importers Association
Raval Lace Company (Canada) Inc.
IKO Industries Ltd.
CanRoof Corporation Inc.
Commonwealth Curtain Company
Canadian Labour Congress
Canadian Apparel Manufacturers Institute
Quebec Outerwear Knitters' Association
K-Bro Textile Technologies Inc.
Men's Clothing Manufacturers' Association
Men's Clothing Manufacturing Association of Ontario
Quebec Council of Odd Pants Employers
Men's Outerwear Industry of Quebec and Ontario
Men's Odd Pants Industry of Quebec and Ontario
Canadian Textiles Institute
Elite Blouse & Skirt Mfg. Ltd.
Dominion Textile Inc.
Canadian Council of Furniture Manufacturers
B.C. Fashion and Needle Trades Association
Sun Ice Limited
Paris Star Knitting Mills Inc.
Crossley Carpets Ltd.
Consoltex Inc.
Burnett's & Struth Scottish Regalia Ltd.
Centrale des Syndicats démocratiques
Brownco Textiles Inc.

LIST OF STAFF RESEARCH PAPERS¹

June Hearing

- Research Staff Assessment of the Terms of Reference
- Outline of the Research Program
- A Staff Note on Economic Analysis Methods
- Industry Profiles: Textile and Downstream Industries
- Industry Profiles: Textile and Downstream Industries - Statistical Appendix
- Tariff Issues: Comparability and Relativity
- International Overview
- International Overview: UNCTAD Trade Data for Canada, USA, EEC and Japan, 1963-1987 - Statistical Appendix I
- International Overview: Canada's Textile and Clothing Trade, 1984-1987 - Statistical Appendix II, Volumes I and II
- International Overview: Canada's Textile and Clothing Trade - Harmonized System (HS), 1984-1988 - Statistical Appendix III

October Hearing

- 1.01 Analysis and Assessment: Protected Version
- 1.02 Analysis and Assessment: Public Version
- 1.03 Annex: Analysis and Assessment, Theoretical Tariff Structures
- 2.20 The Role of Major Companies
- 2.31 Textile Industry and Product Profiles 1984-1988: Protected Version
- 2.32 Textile Industry and Product Profiles 1984-1988: Public Version
- 2.33 Consumer Textile Products Sector: Protected Version
- 2.34 Consumer Textile Products Sector: Public Version
- 2.40 Two Trade Policy Simulation Models for Textiles and Downstream Industries in Canada
- 2.50 Trade Analysis

1. Staff research papers can be consulted in the CITT reading room. It should be noted that corrigenda were issued respecting several of the staff papers following audits by the staff or in response to comments received from parties, during or after the October hearing.