

**REPORT TO
THE MINISTER OF FINANCE**

**REVIEW OF RECOMMENDATION
REGARDING
CERTAIN DYED WOVEN FABRICS
OF RAYON AND POLYESTER**

MAY 14, 1998

REVIEW NO.: TA-98-001

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INTRODUCTION

On November 24, 1997, the Canadian International Trade Tribunal (the Tribunal) gave notice that the tariff relief order (Code 4273)¹ made on August 28, 1996, to implement the Tribunal's recommendation to the Minister of Finance (the Minister) in Request No. TR-95-009 (Peerless Clothing Inc.), concerning "[w]oven fabrics, of rayon filament yarns and non-textured polyester filament yarns, each yarn measuring less than 200 decitex, of a weight not exceeding 100 g/m², of tariff item No. 5408.31.00 or 5408.32.00, for use as lining in the manufacture of men's trousers,"² (the subject fabrics) was scheduled to expire on August 27, 1998.³ Under the Minister's standing reference, the duty relief provided by tariff item Nos. 5408.31.20 and 5408.32.30 will cease unless the Tribunal issues a recommendation that tariff relief is still warranted and a tariff relief order is made by the government. Pursuant to subparagraph 19(5) of the Textile Reference Guidelines, parties requesting or opposing the initiation of a review were asked to file with the Secretary of the Tribunal written public submissions containing relevant information, opinions and arguments.

The notice of expiry was published in the December 6, 1997, edition of the *Canada Gazette* Part I.⁴ It was distributed to potential domestic producers of identical or substitutable fabrics, to firms identified as importers and users of the subject fabrics, to organizations representing producers, users and importers of textile inputs, and to a number of government departments. Only one firm, Peerless Clothing Inc. (Peerless) provided a submission to the Tribunal.

A public hearing was not held for the review.

ANALYSIS

In considering whether tariff relief should be continued, with or without amendment, the Tribunal will first look at whether all relevant factors which led it to recommend tariff relief continue to apply and, second, whether extending tariff relief under such conditions would continue to provide net economic gains for Canada.

In its 1996 recommendation to grant tariff relief on the subject fabrics, the Tribunal concluded that there was no Canadian production of identical or substitutable fabrics and that it was important that tariff relief be granted so as not to burden Canadian apparel manufacturers with additional input costs related to fabrics not available in Canada. However, in order to allow Consoltex Inc. (Consoltex), a major Canadian manufacturer of man-made fabrics, the opportunity to plan production and generate sales of the subject fabrics, the Tribunal recommended that tariff relief be granted only for a period of two years.

1. Code 4273 was replaced on January 1, 1998, by tariff item Nos. 5408.31.20 and 5408.32.30 of the schedule to the *Customs Tariff*.

2. The wording of the Order in Council varies somewhat from that proposed by the Tribunal. In the Report to the Minister of Finance, dated April 12, 1996, the Tribunal's recommendation read: "woven fabrics, mainly of rayon filament yarns mixed with polyester filament yarns measuring less than 200 decitex, of a weight not exceeding 100 g/m², of tariff item No. 5408.32.00, for use in the manufacture of men's trousers."

3. The expiry date shown in the *Customs Tariff* for the two tariff item numbers referred to in note 1 is August 28, 1998.

4. Vol. 131, No. 49 at 3734.

In its submission, Peerless, the original requester of tariff relief, indicated that it continues and will continue to be a significant importer and user of the subject fabrics in the production of men's trousers. Peerless further indicated that no domestic textile producer had approached it with a product which could be substituted for the subject fabrics, nor had it uncovered a domestically produced substitute during its review of open lines offered by Canadian suppliers. Peerless also indicated that tariff relief provided significant duty savings, which were passed on to retailers and consumers, and that it enabled it to remain competitive in the North American marketplace.⁵

During the 1996 investigation, Doubletex Inc., a converter that imports the subject fabrics in greige form for finishing and selling in Canada, expressed concerns that any recommendation for tariff relief made by the Tribunal should apply not only to the subject fabrics in dyed form, but also to unbleached or bleached fabrics of similar construction. The Tribunal notes that those concerns were addressed by the government and that these goods were also granted tariff relief.

Having reviewed the evidence, the Tribunal concludes that extending tariff relief will continue to provide economic benefits to Canada in maintaining the competitive position of apparel producers using the subject fabrics, principally that of Peerless. Furthermore, the fact that no objections to the continuation of tariff relief were received from domestic textile producers, including Consoltex, leads the Tribunal to conclude that there would be no costs, other than foregone federal revenues, in recommending that tariff relief be continued for an indeterminate period.

RECOMMENDATION

In light of the foregoing, the Tribunal hereby recommends to the Minister that tariff relief as provided by tariff item Nos. 5408.31.20 and 5408.32.30 be extended, beyond August 28, 1998, for an indeterminate period.

Patricia M. Close.
Patricia M. Close
Presiding Member

Raynald Guay
Raynald Guay
Member

Anita Szlazak
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Member

5. See letter from Peerless dated March 3, 1998.