

Minister of Finance



Ministre des Finances

Ottawa, Canada K1A 0G5

October 27, 2005

Mr. Pierre Gosselin
Chairman
Canadian International Trade Tribunal
17th Floor, Standard Life Centre
333 Laurier Avenue, West
Ottawa, Ontario
K1A 0G7

Dear Mr. Gosselin:

I am writing further to the letters of July 6, 1994, March 20, 1996, July 24, 1996, November 26, 1997, August 19, 1999, July 4, 2002, and January 13, 2004, from Ministers of Finance establishing the terms of reference for the Tribunal to follow in conducting, under section 19 of the *Canadian International Trade Tribunal Act*, investigations into requests from Canadian producers for tariff relief on imported textile inputs that they use in their manufacturing operations.

I am directing the Tribunal, when initiating new investigations on requests for tariff relief on imported textile inputs, within the rules of procedures developed for this reference, to:

- a) examine any properly documented request that it receives from a domestic producer for tariff relief on any of the following textile inputs used in its downstream manufacturing activities: fibres, yarns¹ and fabrics of Chapters 51, 52, 53, 54, 55, 56, 58, 59, or 60 of the *Customs Tariff*; certain monofilaments or strips and textile and plastic combinations of Chapter 39; rubber thread and textile and rubber combinations of Chapter 40; and, products of textile glass fibres of Chapter 70;
- b) conduct open and transparent investigations of these requests, ensuring that reasonable steps are taken to advise interested parties of any properly documented request for tariff relief and that all parties that have indicated

¹ Knitting yarns, solely of cotton or solely of cotton and polyester staple fibres, measuring more than 190 decitex, of Chapter 52 or subheading No. 5509.53 other than those used to make sweaters, having a horizontal self-starting finished edge and the outer surfaces of which are constructed essentially with 9 or fewer stitches per 2 centimetres (12 or fewer stitches per inch) measured in the horizontal direction, are not included in the textile tariff reference.

Canada

an intention to participate in an investigation have the opportunity to make their views known, through written submissions or public hearings, as the Tribunal may determine to be necessary;

- c) assess the economic impact on domestic textile and downstream producers (on a commercial cost/benefit basis) of reducing or removing the tariff; and,
- d) make recommendations:
 - with reasons described as transparently as possible, while respecting the confidentiality of commercially-sensitive business information, on the appropriateness of reducing or removing the tariff;
 - which are administrable on a cost effective basis and which could include textile input, time and/or "end-use" specific tariff provisions;
 - specifying whether relief should be granted for a specific or indeterminate period, which could include elements such as duration and initiation procedures - who and when - for renewal, extension or amendment investigations, as circumstances warrant. (Where indeterminate relief is recommended, the Tribunal should establish a framework under which the recommendation would be reconsidered, if the circumstances that led to the initial recommendations have changed sufficiently to warrant such an investigation, including who may apply and when);
 - which should not include, except in exceptional circumstances, a gender-specific "end use";
 - which should not cover goods beyond those established at the initiation of the investigation, except where sufficient notice is given for interested parties to respond;
 - which should be consistent with Canada's international rights and obligations under its bilateral and multilateral trade agreements; and,
 - which, ultimately, should maximize net economic gains to Canada.

In performing its economic impact assessments, the Tribunal is directed to take into account all relevant economic factors, including, where appropriate:

- a) the extent to which the current and requested textile tariff structures represent, or would represent, a significant factor in investment and/or business decisions by domestic producers;

- b) the impact of tariff rate differentials, particularly those between Canada and the U.S., on competitiveness and investment;
- c) a domestic versus foreign price comparison, of the relevant textile input, based on recent attempts by the applicant to source the specific textile input from domestic and foreign producers;
- d) substitutability of imported textile inputs with domestic textile inputs (in terms of such factors as commercial availability of directly competing textile products and market acceptance); and,
- e) the ability of domestic producers, vis-à-vis foreign producers, to serve the Canadian downstream industries (bearing in mind such things as: industry sourcing patterns/market share; history of company sales; marketing and service history; repeat orders; delivery and other technical requirements; investment and business plans of current and potential suppliers; and, any extenuating circumstances).

The Tribunal should ensure that its recommendations are made as soon as practicable:

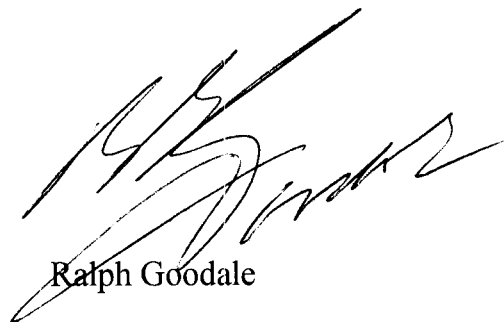
- i. within 120 days from the receipt of a properly documented request, and,
- ii. within any earlier specified timeframe, which the Tribunal determines to be appropriate, in cases of critical circumstances, after receipt of a properly documented case.

In assessing requests for tariff relief, the Tribunal should bear in mind:

- a) the effect on domestic textile and downstream producers of tariff and non-tariff liberalization flowing from the Canada-U.S. Free Trade Agreement, the North American Free Trade Agreement and the World Trade Organization Agreement; and,
- b) the effect of the elimination of full manufacturing duty drawback on non-NAFTA inputs in the case of exports to the U.S. and Mexico.

Finally, I would ask that the Tribunal continue to report on this investigation process and make recommendations for changes that may be appropriate to maximize net economic gains for Canada.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Ralph Goodale', written in a cursive style. The signature is positioned above the printed name.

Ralph Goodale