GENERAL AGREEMENT ON CONFIDENTIAL
TARIFFS AND TRADE

TEX.SB/1366*
15 July 1987

Textiles Surveillance Body

ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Notification under Article 4

Bilateral Agreement between Canada and Uruguay

Note by the Chairman

Attached is a notification received from Canada of a bilateral agreement concluded with Uruguay for the period 1 January 1987 to 31 December 1991.

*English only/Anglais seulement/Inglés solamente

1The previous agreement between the parties is contained in COM.TEX/SB/930.

87-1103
Pursuant to Article 4:4 of the Arrangement Regarding International Trade in Textiles (hereinafter referred to as the MFA) done at Geneva on December 20, 1973 and to the Protocol extending the MFA, done of Geneva on July 31, 1986, I have the honour to notify you of the conclusion of a new five-year bilateral Memorandum of Understanding between the Government of Canada and the Government of Uruguay relating to the export of certain textiles and textile products from Uruguay for import into Canada effective from January 1, 1987 to December 31, 1991. This replaces a previous arrangement which was in place between the two countries from January 1, 1982 to December 31, 1986.

The arrangement covers only worsted fabric and uses the same product definition as in the previous arrangement. A new level for worsted fabric has been agreed upon and takes into account previous limitations, growth and actual trade flows in arriving at the new restraint level. Particular consideration was given to paragraph 14 of the Protocol of Extension of 31 July 1986. The agreement provides for an increase in the base level of 13.3 per cent and an increase in the growth rate from 3 per cent to 6 per cent.

Worsted fabric had been identified as a sensitive product by the Canadian Textile and Clothing Board. In recent years, there has been significant restructuring in this industry as a result of some 3 plant closures, substantial employment losses and underutilization of capacity. The share of the market held by domestic shipments has decreased from 71 percent in 1982 to 50 percent in 1986. Uruguay accounted for 13 percent of all restrained imports in 1986, compared to 11 percent in 1985.
As in the past, there are provisions for: the exchange of statistics, crediting back to quantitative limits re-exports from Canada of restrained items, consultations concerning the equity of restraints and, general consultations on matters affecting trade in textile and textile products between the two countries. Flexibility provisions are limited to carryover, 10 percent, and carryforward, 5 percent. These are the same as in the previous arrangement.

In recent years there has been considerable disruption to the Canadian clothing and textile market caused by a sharp and substantial increase in imports at prices substantially below those prevailing for similar goods produced in Canada. The average growth rate for low-cost clothing imports, on a unit volume basis, was 11 percent between 1981 and 1985. This compares with an estimated annual market growth of approximately 2.3 percent. As a result, the Canadian clothing industry has seen its share of the domestic market decline, on a unit volume basis, from 69 percent in 1981 to 57 percent in 1985. During that period the Canadian Textile and Clothing Board estimates that import growth may have cost as many as 15,000 Canadian jobs. Apparel imports increased by approximately 10 percent in 1986 leading to an expected further deterioration in the situation facing domestic producers. A complicating factor has been the highly erratic pattern of imports, with increases in low-cost clothing imports of 26 and 15 percent during 1983 and 1984 respectively. This has seriously affected the ability of the Canadian Government and manufacturers to rationally plan and implement adjustment measures.

The Government of Canada believes this arrangement to be in conformity with the provisions of the MFA and to its Protocol of Extension and, as such, in keeping with the gradual liberalization of the Canadian import programme on textiles and clothing.

Copies of the Memorandum of Understanding are attached.

Accept, Sir, the renewed assurance of my highest consideration.

Yours sincerely
MEMORANDUM OF UNDERSTANDING

BETWEEN

THE GOVERNMENT OF URUGUAY

AND

THE GOVERNMENT OF CANADA

RELATING TO THE EXPORT FROM URUGUAY

OF

CERTAIN TEXTILES AND TEXTILE PRODUCTS

FOR IMPORT INTO CANADA
Memorandum of Understanding between the Government of Canada and the Government of Uruguay relating to the export from Uruguay of certain textiles and textile products for import into Canada

Introduction

1. This Memorandum of Understanding (MOU) sets out the arrangements that have been agreed between the Governments of Canada and Uruguay regarding the export of certain textiles and textile products from Uruguay for import into Canada.

2. These arrangements have been made having regard to the Arrangement Regarding International Trade in Textiles (hereinafter referred to as "the MFA") and in particular to Article 4 thereof, and to the Protocol extending the said Arrangement.

Restraint Periods

3. These arrangements will apply for five (5) years commencing on January 1, 1987 and ending on December 31 1991.

Restraint Levels

4. Except as provided for in paragraphs 14 to 17, the Government of Uruguay will restrain its exports to Canada of the textiles and textile products described in Annex I for the calendar year commencing January 1, 1987 to the limits specified therein.

5. For the four calendar year periods commencing January 1, 1988 and ending on December 31 1991, the Government of Uruguay will restrain its exports to Canada of the textile products described in Annex I to the limits specified therein for each year.

Coverage

6. For the purpose of these arrangements, the expression "textiles" will have the meaning ascribed to the expression in Article 12.1 of the MFA.

7. For the purpose of classifying textiles and textile products in the appropriate category, the definition and notes set out in Annex II will apply.
Administration

8. These arrangements will be implemented on the basis of the export control system operated by the Government of Uruguay.

9. The Government of Canada will admit imports of the textiles and textile products described in Annex II and subject to a specific quantitative limit in Annex I, provided such imports are covered by an original copy of an "Export Licence" endorsed and issued by the proper Uruguayan authority to the effect that the imports covered by the licence have been debited to the applicable quantitative limit as set out in Annex I.

10. The export licences issued by the Government of Uruguay in respect of products subject to restraint levels as specified in Annex I of this arrangement will contain the following information:

1. Country of destination
2. Country of origin
3. Licence number
4. Importer's name and address
5. Exporter's name and address
6. Item number and description of product as set out in Annex I of the MOU
7. Quantity expressed in the units as designated in Annex I of the MOU
8. F.O.B. or C.I.F. value except for non-commercial consignments
9. Certification by the Government of Uruguay that the quantity has been debited against the agreed restraint level for export to Canada
10. Quota year

11. In the event any quantity covered by an export licence is not shipped, the Government of Uruguay will notify the Government of Canada of such quantity which may be credited by the Government of Uruguay to the appropriate restraint level.

12. The Government of Uruguay will endeavour to ensure that exports of all textiles and textile products which are listed in Annex II and are subject to restraint levels as per Annex I are spaced out as evenly as possible during each restraint period, due account being taken of seasonal factors and of normal channels of trade.
13. If, on the basis of export data provided by the Government of Uruguay, the Government of Canada ascertains that there is a sharp and substantial increase in the concentration of exports of textiles or textile products, other than that attributable to normal seasonal factors, it may request consultations in accordance with the provisions of paragraphs 25 and 26 with a view to remedying this situation.

**Carry-Over/Carry-Forward**

14. Portions of the restraint limit which remain unused from the final year of the preceding bilateral arrangement may, after notification, be carried over and added to the restraint level for the restraint period commencing 1 January 1967. Such carry-over will be within the higher percentage limit set out in column (F) of Annex I of this MOU.

15. Following notification to the Government of Canada of the quantities involved, portions of any quantitative limit set out in Annex I which are not used during a restraint period may be carried over and added to the corresponding quantitative limit for the following restraint period. The restraint level for any such following restraint period will be increased within the higher percentage limit set out in column (F) of Annex I.

16. Any restraint level may be increased within the lower percentage limit set out in column (F) of Annex I by an amount advanced from the corresponding restraint level for the following restraint period. The restraint level for any such following restraint period will be reduced by an amount equal to the amount so advanced.

17. Notwithstanding the foregoing, the carry-over/carry-forward provisions may be used in combination only up to the higher percentage limit set out in column (F) of Annex I.

**Exchange of Statistics**

18. Both Governments will exchange such other statistical data relating to exports of textiles and textile products not subject to these arrangements as may reasonably be required.
19. The Government of Uruguay will provide the Government of Canada with monthly statistics relating to exports of the textiles and textile products listed in Annex II which are licensed for export to Canada and debited against restraint levels for each restraint period as per Annex I.

20. When submitting the monthly statistics mentioned in paragraph 19, the Government of Uruguay undertakes to include the following information:

a) Category and description of goods as set out in Annex I.

b) Original and adjusted restraint level for the restraint period.

c) Total quantity issued for the restraint period to date in the units designated in Annex I.

d) Notification of any utilization of carry-over or carry-forward provisions and the quantities involved as provided for in paragraphs 14 to 17 above.

This information would be provided as soon as possible following the end of each month.

21. The Government of Canada will provide the Government of Uruguay with monthly statistics relating to import permits issued for imports originating in Uruguay of textiles and textile products listed in Annex II, along lines similar to the statistics to be provided by the Government of Uruguay pursuant to paragraph 19 above. In addition, the Government of Canada will provide the Government of Uruguay with monthly statistics of total imports and imports from other significant suppliers in respect of textiles and textile products categorized in Annex I.

22. Both Governments reserve the option of requesting, should it be necessary, more specific and detailed information.

**Equity**

23. Should either Government consider, as a result of these arrangements, that it is placed in an inequitable position compared with any third party, that Government may request the other to consult as provided in paragraphs 25 and 26 with a view to implementing appropriate remedial measures.
Re-Exports

24. The Government of Canada will, so far as possible, inform the Government of Uruguay when imports into Canada of textiles and textile products subject to these arrangements are subsequently re-exported from Canada. Where such re-exports have been debited by the Government of Uruguay to quantitative limits the Government of Uruguay may then credit the amount involved to the appropriate quantitative limits.

Consultations

25. Either Government has the right to request consultations with the other Government on any matter arising from the implementation or operation of these arrangements or on any matter germane thereto. Such consultations will be governed by the following:

- Any request for consultations will be notified in writing to the other Government;

- The request for consultations will be accompanied by or followed within a reasonable period (and in any case not later than twenty-one days following the request) by a statement setting out the reasons and circumstances which, in the opinion of the requesting Government, justify the submission of such a request;

- The other Government will accept such a request and such consultations will be held within thirty days of the date of notification of the request;

- Both Governments will enter into consultations with a view to reaching a mutually acceptable conclusion within thirty days of the date on which actual consultations commence.

26. Any consultations held under these provisions will be approached by both Governments in a spirit of cooperation and with a desire to reconcile the differences between them.

MFA Rights

27. Each Government reserves its rights under the MFA with respect to textiles and textile products not subject to these arrangements.
Revisions and Termination

28. Either Government may at any time propose revisions to the terms of these arrangements having regard to the MFA and to the Protocol extending it.

29. Either Government may terminate these arrangements effective at the end of any restraint period by written notice to the other Government, to be given at least ninety days prior to the end of any restraint period.

Annexes

30. The annexes to this Memorandum of Understanding will be considered an integral part of it.

Transitional Arrangements

31. Any difficulties which may arise as a consequence of the transition to this arrangement will be brought immediately to the attention of the one Government by the other Government and efforts will be made by both Governments, through consultations or other means, to resolve such difficulties to their mutual satisfaction.

Final Provisions

32. This Memorandum of Understanding will become effective on January 1, 1987 subsequent to an exchange of notes between the two Governments confirming their acceptance of these arrangements.

For the Government of Canada

For the Government of Uruguay
# ANNEX I

## RESTRAINT LEVELS

<table>
<thead>
<tr>
<th>ITEM NO.</th>
<th>SHORT DESCRIPTION</th>
<th>RESTRAINT LEVEL (Kg)</th>
<th>GROWTH SWING</th>
<th>CARRY-OVER/ CARRY-FORWARD</th>
<th>COMBINED FLEXIBILITY (E) &amp; (F)</th>
<th>CONVERSION FACTOR (M²/UNIT)</th>
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<tbody>
<tr>
<td>1.</td>
<td>Worsted Fabric</td>
<td>192,553</td>
<td>(6%)</td>
<td>N.A.</td>
<td>10%/ (5%)</td>
<td>N.A.</td>
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<td>(1987)</td>
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<td>(1991)</td>
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Description of Product Categories

1. Worsted Fabric

Worsted Fabrics are woven fabrics having 17% or more by weight of wool and in which at least the warp is made from worsted spun yarn.
NOTA N° 44/87

La Embajada de Canadá presenta sus atentos saludos al Ministerio de Relaciones Exteriores de la República Oriental del Uruguay y tiene el honor de referirse al Memorando de Entendimiento inicialado por representantes de Canadá y del Uruguay en Ottawa el 5 de Febrero pasado relativo a la exportación desde el Uruguay de ciertos textiles y productos textiles para importación en Canadá. El Memorándum de Entendiemiento fue acordado dentro del contexto del arreglo relacionado con el intercambio internacional de textiles ("Multi-Fiber Arrangement") y en particular del artículo 4 del mismo, así como del protocolo extendiendo el arreglo, habiéndose otorgado consideración al párrafo 14 de este protocolo.

De acuerdo al párrafo 32 del Memorándum de Entendimiento, las autoridades canadienses desean confirmar la aceptación de las disposiciones que contiene el Memorándum y proponen que esta Nota, junto con la respuesta de las autoridades uruguayas confirmando la aceptación por parte de su gobierno den efecto al arreglo en el Memorándum de Entendimiento.

Al Ministerio de Relaciones Exteriores
Montevideo, República Oriental del Uruguay
La Embajada de Canadá se vale de la ocasión para renovar al Ministerio de Relaciones Exteriores de la República Oriental del Uruguay las seguridades de su más alta y distinguida consideración.

Buenos Aires, 30 de Abril de 1907
Ministerio de Relaciones Exteriores

El Ministerio de Relaciones Exteriores presenta sus más atentos saludos a la Embajada de Canadá y tiene el honor de hacer referencia a su Nota N° 44/87 de fecha 30 de abril de 1987, relativa al Memorandum de Entendimiento inicialado por representantes del Uruguay y de Canadá en Ottawa el 5 de febrero de 1987, sobre las exportaciones de ciertos textiles y productos textiles uruguayos al mercado canadiense.

De acuerdo al artículo 32 del Memorandum de entendimiento, las autoridades uruguayas aceptan que vuestra nota de referencia junto con la presente, constituyan un Acuerdo que pone en funcionamiento las disposiciones del referido documento.

El Ministerio de Relaciones Exteriores hace propicia la oportunidad para reiterar a la Embajada de Canadá las seguridades de su más alta consideración.