ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Notification under Article 4

Amendment of the bilateral agreement between
Canada and Malaysia

Note by the Chairman

Attached is a notification received from Canada of a further amendment of its bilateral agreement with Malaysia. A restraint was agreed for underwear for the period 1 April to 31 December 1991.

1 The bilateral agreement and a previous amendment are contained in COM.TEX/SB/1360 and 1427.

*English only/Anglais seulement/Inglés solamente
His Excellency Mr. M. Raffaelli
Chairman
Textiles Surveillance Body
General Agreement on Tariffs and Trade
Rue de Lausanne, 154
CH-1211 Geneva 21

Excellency,

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, to the Protocol extending the MFA, done at Geneva on July 31, 1986 and the consultation provisions under the Memorandum of Understanding (MOU) between the Government of Canada and the Government of Malaysia relating to the export from Malaysia of certain textiles and textile products for import into Canada, I have the honour to notify you that agreement has been reached between the two governments to amend the MOU to include a restraint for underwear (see attached). The restraint covers the period from 1 April 1991 through 31 December 1991.

The modification of the MOU covers products which fall within the scope of the MFA and takes into account circumstances facing the Canadian textile market and the position of Malaysia as an established supplier to that market.

In 1990, net Canadian domestic shipments of underwear declined by 7 percent (i.e., from 85 million units in 1989 to 79 million units in 1990). During the same period, total imports increased by 28 percent (i.e., from 30 million units in 1989 to 38 million units in 1990). As a result, the share of the Canadian market for underwear supplied by domestic manufacturers declined sharply from 74 percent in 1989 to only 68 percent in 1990. This represented the lowest domestic market share to date for this sector. Advance orders were almost non-existent. In 1990 alone, employment fell by some 17 percent (i.e., 523 jobs). Capacity utilization, which was 80 percent as recently as 1989, was only 60 percent in 1990.
In 1989, imports of underwear from Malaysia were 1,786,186 units, an increase of 165 percent over the 1988 level of 674,483 units. In 1990, imports from Malaysia rose again, by 168 percent, to reach 3,872,293 units. The derived warehouse door price for underwear sourced in Malaysia in 1990 was $0.93 Cdn per unit. This compared with $2.53 Cdn per unit for the Canadian-made product.

As a result, Malaysia emerged as the largest unrestrained developing country supplier of underwear to Canada and the second largest developing country supplier overall. In 1990, imports from Malaysia accounted for 13 percent of all developing country imports of underwear into Canada, up from 7 percent in 1989.

In view of the market disruption caused to Canadian underwear producers by the increase in imports from Malaysia, Canadian authorities requested consultations with Malaysia, in March 1991, under the provisions of Articles 29-33 of the MOU. These were held from March 25-26, 1991 in Kuala Lumpur and a bilateral agreement was reached to include underwear in the MOU at an annual level of 4,500,000 units, prorated to cover the period from April 1, 1991 to December 31, 1991, to an amount of 3,375,000 units. Swing is 7 percent; the conversion rate is 0.5 M2/unit and carry-over/carry-forward is 10 percent and 5 percent respectively with a combined maximum flexibility of 15 percent.

The Government of Canada considers that this arrangement conforms with the provisions of the MFA and with its Protocol of Extension.

Yours sincerely,

John F. Dorangh
Counsellor
1. Delegations representing the Government of Canada and the Government of Malaysia met on March 25 - 26, in Kuala Lumpur to discuss the export of underwear from Malaysia to Canada in accordance with the provisions of paragraphs 30-34 of the Memorandum of Understanding between the Government of Canada and the Government of Malaysia relating to the export from Malaysia of certain textiles and textile products for import into Canada (MOU).

2. The two delegations agreed, pursuant to the MOU, that exports of underwear from Malaysia to Canada will be subject to restraint for the period 1 April, 1991 to 31 December, 1991. The restraint level and flexibility provisions are contained in Appendix I of this Agreed Record.

3. Underwear is defined in Annex II item 13 of the MOU. Underwear shall be specified as Category 13 of Group A.

4. This Agreed Record of Discussions and accompanying appendix will be considered Annex V of the MOU.

5. The two delegations noted that their signatures to this Agreed Record were on an ad referendum basis subject to an exchange of letters between the two Governments confirming their acceptance of this Agreed Record of Discussions.

For the Government of Malaysia For the Government of Canada

Kuala Lumpur, Malaysia March 26, 1991
## Appendix I

<table>
<thead>
<tr>
<th>(A)</th>
<th>(B)</th>
<th>(C)</th>
<th>(D)</th>
<th>(E)</th>
<th>(F)</th>
<th>(G)</th>
<th>(H)</th>
<th>(I)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CATEGORY</td>
<td>SHORT DESCRIPTION</td>
<td>PERIOD</td>
<td>RESTRAINT LEVEL</td>
<td>GROWTH</td>
<td>SWING CHARG-OVER/ CARRY-FORWARD</td>
<td>COMBINED FLEXIBILITY</td>
<td>(E) &amp; (F) CONVERSION FACTOR</td>
<td>12/UNIT</td>
</tr>
<tr>
<td>13</td>
<td>UNDERWEAR</td>
<td>1 APRIL, 1991 TO 31 DECEMBER, 1991</td>
<td>3,175,000</td>
<td>7%</td>
<td>10(5)%</td>
<td>19%</td>
<td>0.5</td>
<td></td>
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</tbody>
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(1) Based on an annualized level for calendar year 1991 of 4,500,000 units.

(2) In the event of an extension of the MOU, the implied growth rate shall be 6%.