ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Notification under Article 4:4

Amendment of the bilateral agreement between
Canada and India

Note by the Chairman

Attached is a notification received from Canada of an amendment of its bilateral agreement with India. Restraints were introduced on winter outerwear and underwear for the period 1 May to 31 December 1991.1

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1 The bilateral agreement is contained in COM.TEX/SB/1414.

*English only/Anglais seulement/Inglés solamente
Dear Ambassador Raffaelli,

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 to the consultation provisions under the Memorandum of Understanding between the Government of Canada and the Government of the Republic of India relating to the export from India of certain textiles and textile products for import into Canada (MOU), I have the honour to notify you that effective May 1, 1991, the restraint coverage of the MOU has been amended to include a restraint for winter outerwear and underwear (see attached).

The modification of the MOU covers textile products which fall within the scope of the MFA and takes into account circumstances facing the Canadian clothing market and the position of India as an established supplier to that market. The level applicable to the exports of winter outerwear and underwear from India for import into Canada was established taking into consideration historical trading patterns and provisions contained in Article 4 of the MFA and its Protocol of Extension.

Winter Outerwear

Total imports of winter outerwear rose from 5,579 million units in 1989 to 6,120 million units in 1990, an increase of 9.6 percent. This led to a drop in the market share held by Canadian producers from 44 percent in 1988 to 40 percent in 1989 and to 38 percent in 1990. As a result, the percentage of the Canadian market held by imports rose from 56 percent in 1988 to 60 percent in 1989 and 62 percent in 1990.
Imports from India in the twelve months ending January 1, 1991 were 354,382 units. During this twelve month period, India was the largest (41 percent) unrestrained developing country supplier to Canada and the fourth largest such supplier overall. Imports of winter outerwear from India exceeded the restraint levels negotiated with fifteen other countries. For the calendar year 1990, imports of winter outerwear from India represented an increase of 409 percent over 1989, when imports from India totalled 69,925 units.

The average unit price for winter outerwear from India in 1990 was $16.00 Cdn, while the price for the Canadian-made product was $56.92 Cdn per unit. The increase in imports has resulted in plant closures and a reduction in both orders and capacity utilization among remaining manufacturers. Leaving aside plant closures, lay-offs increased to 275 people, with further lay-offs of 125 people anticipated in 1991. There was also price suppression in the Canadian market, preventing manufacturers from passing on price increases and depleting earnings.

**Underwear**

In 1990, 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 68 percent in 1990, the lowest domestic market share to date for this sector. Advance orders are almost non-existent. In 1990 alone, employment fell by some 17 percent (i.e., 523 jobs) and capacity utilization, which was at 89 percent as recently as 1980, was only 60 percent in 1990.

1990 imports of underwear from India were 1,234,763 units, an increase of 75 percent over the 1989 level of 704,374 units. 1988 imports were 352,000 units. 1990 imports from India exceeded the restraint levels negotiated with seven other countries.

The import price for underwear sourced in India in 1990 was $0.47 Cdn per unit. The derived warehouse door price was $0.71 Cdn per unit. This compared with $2.53 Cdn per unit for the Canada-made product.

On June 4-7, 1991, Canadian and Indian negotiators met in New Delhi but did not reach an agreement satisfactory to both parties. Canada, therefore, imposed quantitative restraints on imports of winter outerwear and underwear from India, pursuant to Paragraph 29(f) of the MOU.
The restraint levels for winter outwear and underwear were set at an annual level of 425,258 units and 1,810,151 units respectively. The prorated levels for the period of May 1, 1991 to December 31, 1991 were set at 283,506 units in the case of winter outerwear and 1,206,767 units in the case of underwear.

Both products have a growth rate of 6 percent, swing provisions of 7 percent, carry-over/carry-forward of 10 percent/5 percent and a combined flexibility of up to 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. Donaghy
Counsellor

Attach. (2)
The Canadian High Commission presents its compliments to the Ministry of External Affairs and has the honor to refer to the consultations held in New Delhi on June 4-7, 1991, pursuant to paragraph 29 of the Canada/India Textiles Agreement (MOU) respecting the restraining of exports to Canada of winter outerwear and underwear.

In view of the request by Indian authorities to suspend the above-noted consultations and owing to the continuing market disruption caused by imports of these two products to Canada, the Canadian authorities, pursuant to paragraph 29(F) of the MOU, request that the Government of India limit its exports of winter outerwear and underwear to an annual level of 425,258 units and 1,810,151 units respectively. Pursuant to paragraph 29(G) of the MOU, the projected restraint level for the period 1 May, 1991, to 31 December 1991, will be: A) for winter outerwear, 283,506 units and B) for underwear, 1,206,767 units.

For purposes of identification, these products shall be specified as items 8 (winter outerwear) and 9 (underwear) of Annex I of the MOU. Pursuant to paragraph 29(H) of the MOU, swing will be 7%; carry-over will be 10%, carry-forward will be 5%, with a combined use of carry-over and carry-forward not to exceed 10%. The combined use of swing, carry-over and carry-forward will not exceed 15%.
Pursuant to paragraph 9 of the MOU, the Government of Canada will admit imports of winter outerwear and underwear from India that are covered by an original copy of an Indian "Export Certificate" endorsed and issued by the proper Indian authority, including a statement to the effect that the imports covered by the licence have been debited to the applicable quantitative limit.

Canadian authorities wish to reiterate their willingness to enter into consultations at any mutually convenient time.

The Canadian High Commission avails itself of this opportunity to renew to the Ministry of External Affairs the assurances of its highest consideration.

NEW DELHI
July 15, 1991
1. Delegations representing the Government of Canada and the Government of Republic of India met from June 4 to June 7, 1991, in New Delhi to discuss the export of winter outerwear, underwear and bedsheets from India, in accordance with the provisions of paragraphs 27 to 29 of the Memorandum of Understanding between the Government of Canada and the Government of Republic of India relating to the export from India of certain textiles and textile products for import into Canada (MOU).

2. The delegations could not reach any mutually acceptable solution on the export of winter outerwear and underwear. For technical reasons, the Canadian delegation agreed to withdraw, without prejudice to the rights of Canada under the MOU and MFA, the call for consultation and the 90-day limits in regard to bedsheets.

New Delhi, 7 June 1991

Leader of the Delegation of the Govt. of Canada

Leader of the Delegation of the Govt. of India