Arrangement regarding international trade in textiles

Notification under Article 4:4

Amendment of the bilateral agreement between
Canada and Pakistan

Note by the Chairman

Attached is a notification received from Canada of a further amendment of its bilateral agreement with Pakistan. A restraint was agreed on winter outerwear for the period 1 January to 31 December 1991.

*The bilateral agreement and previous amendments are contained in COM.TEX/SB/1307, 1426 and 1557.

*English only/Anglais seulement/Inglés solamente
December 2, 1991

Ambassador M. Raffaelli
Chairman
Textiles Surveillance Body
General Agreement on Tariffs and Trade
Centre William Rappard
Rue de Lausanne, 154
CH-1211 Geneva 21

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 Pakistan relating to the export from Pakistan of certain textiles and textile products for import into Canada (MOU), I have the honour to notify you that effective January 1, 1991, the restraint coverage of the MOU has been amended to include a restraint for winter outerwear (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 textile market and the position of Pakistan as an established supplier to that market. The level applicable to the exports of winter outerwear from Pakistan 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.

Total imports of winter outerwear rose from 5,579 million units in 1989 to 6,120 million units in 1990, an increase of 9.5%. This led to a drop in the market share held by Canadian producers from 44% in 1988 to 40% in 1989 and to 38% in 1990. As a result, the share of the Canadian market held by imports rose from 56% in 1988, to 60% in 1989 and 62% in 1990.
In 1990, imports of winter outerwear from Pakistan were 262,539 units. This represented an increase of 136% over 1989 when imports from Pakistan totalled 111,568 units. 1988 imports were 28,926 units. In 1990, imports from Pakistan of winter outerwear accounted for 32 percent of all unrestrained imports from developing countries.

The increase in developing country imports resulted in plant closures and reduction in both orders and capacity utilization among remaining Canadian winter outerwear manufacturers. Not including plant closures, lay-offs increased to 275 people, with further lay-offs of 125 people anticipated in 1991. At the same time, there was price suppression in the Canadian market, preventing manufacturers from passing on price increases and depleting earnings.

In the twelve months to the end of February 1991, imports of winter outerwear from Pakistan totalled 300,903 units. During this twelve month period, Pakistan emerged as the sixth largest developing country supplier overall and imports from Pakistan exceeded the restraint levels negotiated with fourteen other countries.

The average price for winter outerwear sourced in Pakistan in 1990 was $11.74 CDN per unit while the price for the Canadian-made product was $56.92 CDN per unit. In view of the market disruption caused to Canadian winter outerwear producers by the increase in imports from Pakistan, Canadian authorities requested restraint consultations with Pakistan in April 1991, under the provisions of Paragraphs 26 to 33 of the MOU. As a result of consultations held from May 28-29, 1991 in Islamabad, a bilateral agreement was reached to include winter outerwear in the MOU at an annual level of 371,200 units. The growth rate is 6%; swing is 7%; the conversion rate is 3.5 m²/unit and carry-over/carry-forward is 11%/6%, respectively, with a combined maximum flexibility of 16%.

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
The Ministry of Commerce of the Islamic Republic of Pakistan presents its compliments to the Canadian High Commission in Islamabad and with reference to the esteemed High Commission's Note No. 1874 dated July 20, 1991 has the honour to state that in accordance with paragraph six of the Agreed Record of Discussions signed on May 30, 1991 in Islamabad, Government of Pakistan wishes to confirm the acceptance of the provisions contained in the Agreed Record of Discussions and propose that this note together with the above referred Canadian High Commission's Note give effect to the provisions of the Agreed Record of Discussions.

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

The Canadian High Commission, Islamabad.
Note No. 1874

The Canadian High Commission presents its compliments to the Ministry of Commerce of the Islamic Republic of Pakistan.

The Canadian authorities wish to refer to the Agreed Record of Discussions signed by the Canadian and Pakistani authorities on 30 May 1991.

In accordance with paragraph six of the Agreed Record, the Canadian authorities wish to confirm acceptance of the provisions contained in the Agreed Record and propose that this Note, together with the formal Note form the Pakistani authorities confirming their acceptance, give effect to the provisions of the Agreed Record.

The Canadian High Commission avails itself of this opportunity to renew to the Ministry of Commerce of the Islamic Republic of Pakistan the assurances of its highest consideration.

ISLAMABAD, July 20, 1991
Canada - Pakistan Consultations

Agreed Record of Discussions


2. During these discussions it was agreed that Pakistani authorities will restrain, effective January 1, 1991, and for the term of the MOU, ending on 31st December, 1991, exports from Pakistan of Winter Outerwear to Canada through the issuance of an "Export License" issued and endorsed by the proper Pakistani authority in accordance with the administrative provisions of paragraphs 8 - 10 of the MOU.

3. Winter Outerwear is defined in Section 1 of Annex II of the MOU.

4. It was agreed that during the period January 1, 1991, through December 31, 1991, exports of Winter Outerwear, which shall be specified as Group A, Item II of Annex I for purposes of identification (as indicated in the attached appendix), will be restrained to the level of 371,200 units.

5. This Agreed Record of Discussions and accompanying appendix will be considered as Annex VI to the MOU. The provisions of the MOU will therefore be read as including Winter Outerwear, Item II of the MOU.

Contd....2
Both the delegations noted that their signatures of this Agreed Record were on an ad referendum basis subject to confirmation by means of a diplomatic note indicating acceptance.

(J. Saint-Jacques)
for the Government of Canada

(M. A. Bajwa)
for the Government of the Islamic Republic of Pakistan

<table>
<thead>
<tr>
<th>(A) CATEGORY NO.</th>
<th>(B) SHORT DESCRIPTION</th>
<th>(C) RESTRAINT LEVEL</th>
<th>(D) GROWTH</th>
<th>(E) SWING</th>
<th>(F) CARRY-OVER</th>
<th>(F) CARRY-FORWARD</th>
<th>(G) COMBINED FLEXIBILITY</th>
<th>(H) CONVERSION FACTOR (M2/UNIT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GROUP A</td>
<td>Winter Outerwear</td>
<td>371,200</td>
<td>6%</td>
<td>7%</td>
<td>11%</td>
<td>6%</td>
<td>16%</td>
<td>3.5</td>
</tr>
</tbody>
</table>

(January 1, 1991 - December 31, 1991)