ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Notification under Article 4:4

Amendment of the agreement between Canada and Sri Lanka

Note by the Chairman

Attached is a notification received from Canada of an amendment of its agreement with Sri Lanka. A restraint on bedsheets was agreed for the period 30 July to 31 December 1991.1

1The bilateral agreement is contained in COM.TEX/SB/1410.

*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 Democratic Socialist Republic of Sri Lanka relating to the export from Sri Lanka of certain textiles and textile products for import into Canada (MOU), I have the honour to notify you that effective July 30, 1991, the restraint coverage of the MOU has been amended to include a restraint for bedsheets (see attached).

The modification of the MOU covers textile products, (i.e., bedsheets) which fall within the scope of the MFA and takes into account circumstances facing the Canadian textile market and the position of Sri Lanka as an established supplier to that market. The level applicable to the exports of bedsheets from Sri Lanka 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.

In 1990, net domestic shipments of bedsheets declined by five per cent from 5,8 to 5,5 million units. At the same time total imports of bedsheets rose by nine percent in 1989 to 9,6 million units. As a result, the share of the market held by Canadian manufacturers fell from thirty-nine percent in 1989 to thirty-six percent in 1990. Imports of bedsheets from Sri Lanka rose from 28,690 units in 1989 to 418,522 units in 1990, a thirteen-fold increase. Sri Lanka became the largest unrestrained developing country supplier of bedsheets to Canada and the fourth largest such supplier overall. The average price
of bedsheets from Sri Lanka in 1990 was $3.57 CDN. The price of the Canadian made product was $7.85 CDN. Capacity utilization in Canada declined to sixty-six percent in 1990, resulting in layoffs of 200 people for the principal manufacturer during the first nine months of 1990.

In view of the market disruption caused to Canadian bedsheets producers by the increase in imports from Sri Lanka, Canadian authorities requested restraint consultations with the Democratic Socialist Republic of Sri Lanka in June 1991, under the provisions of Paragraphs 26 to 31 of the MOU. As a result of consultations held from June 10-11, 1991 in Colombo, bedsheets were included in the MOU at an annual level of 463,259 units prorated to cover the period from July 30, 1991 to December 31, 1991 to an amount of 193,025 units. The growth rate is 6%; swing is 7%; the conversion rate is 5.2 metres square; carry-over/carry-forward is 10% and 5% respectively, with a combined flexibility of 15%.

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

Yours sincerely,

[Signature]

John F. Donaghy
Counsellor
August 22, 1991

Mr Jean Saint-Jacques
Director
Import Control I Division (Textiles & Clothing)
Export Import Permits Bureau
Department of External Affairs and
International Trade
Ottawa

Dear Sir,

I thank you for your letter No 611-SRI of 15th August 1991 informing me that the Canadian authorities have approved an annual restraint level of 463,259 units of bed sheets and that accordingly the prorated restraint level for the period July 30 to December 31, 1991 will be 193,025 units.

I hereby confirm that the arrangement proposed in your letter is satisfactory.

Thanking you for your assistance in this matter.

Yours faithfully,

WALTER RUPESINGHE
HIGH COMMISSIONER
His Excellency Walter Rupesinghe
High Commissioner for the Democratic
Socialist Republic of Sri Lanka
35 Range Road, Suite 102-104
Ottawa, Ontario
K1N 8J6

Dear High Commissioner:

This is further to my letter of July 25, 1991, and your request for an increase in the restraint level for bedsheets exports from Sri Lanka to Canada.

I am pleased to advise that Canadian authorities have approved an annual restraint level of 463,259 units of bedsheets. Accordingly, the prorated restraint level for the period of July 30, 1991 to December 31, 1991, will be 193,025 units.

For the purpose of identification, bedsheets will be specified as item 12 of Annex I of the Canada/Sri Lanka Textiles Agreement (MOU). No swing is permitted between products in Group A and products of Group B. Pursuant to Paragraph 12 of the MOU, flexibility will be as follows: Growth 6%, Swing 7%, Carry-over 10%, Carry-forward 5%. The combined use of Swing, Carry-over and Carry-forward shall not exceed 15%. Conversion factor shall be 5.2 metres square per unit.

Pursuant to Paragraph 8 of the MOU, the Government of Canada will admit imports of bedsheets from Sri Lanka that are covered by an original copy of a Sri Lankan "Export .../2
Certificate" issued and endorsed by the proper Sri Lankan authority, including a statement to the effect that the imports covered by the license have been debited to the applicable quantitative limit.

In light of the addition of this product to Group B, Canadian authorities propose that the flexibility provisions for Item 11, Work Gloves, be amended as follows: swing 7%, combined flexibility 15%, and that the conversion factor be 0.24 metres square per unit.

I would be grateful to receive confirmation by letter that the arrangement proposed above is satisfactory to the Government of Sri Lanka. This letter, together with your letter of confirmation in reply, will constitute an intergovernmental arrangement between the Government of the Democratic Socialist Republic of Sri Lanka and the Government of Canada, to enter into effect retroactively from July 30, 1991.

Yours sincerely,

[Signature]
Jean Saint-Jacques
Director
Import Control I Division
(Textiles and Clothing)
Export Import Permits Bureau