ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Notification under Article 3:6

Note by the Chairman

Attached is a notification made by Finland under the provisions of Article 3:6 of the Arrangement concerning a provisional measure taken by Finland with regard to shirts exported to Finland from Sri Lanka.

* English only/Anglais seulement
Sir,

I have the honour to communicate to the Textiles Surveillance Body the following facts relating to an Article 3:6 action by Finland with respect to imports of men's and boys' shirts from Sri Lanka:

The imports of men's and boys' shirts from Sri Lanka to Finland have increased drastically in the first months of 1981. These imports, having been nil in 1979 and 42,000 pieces in 1980, reached the level of 88,859 pieces in the first four months of 1981. In addition, surveillance licences, which are valid for three months, have been applied for and granted to an amount, which would increase the figure on a cumulative basis up to 171,062 pieces. This figure corresponds to a share of 17% of all the surveillance licences granted.

At the same time the domestic production of men's and boys' shirts continues to face severe difficulties. The annual domestic production, having been in 1973 at the level of 2,422,000 pieces and still in 1976 at the level of 1,620,000 pieces, had gone down to 1,362,000 pieces in 1980 (estimate). The overall import figures, which in 1973-76
represented a market share of approximately 40% have now surpassed the level of 70%, the total imports in 1980 amounting to 2,687,000 pieces. The number of domestic production entities of men's and boys' shirts has decreased in the 70's from 21 to 5, thus reflecting i.a. an exceptionally clear case of market disruption.

Finland has, during the prolonged MFA, negotiated bilateral restraint agreements under Article 4 of the MFA with all the major low-cost suppliers of men's and boys' shirts. This product is included in all the bilateral agreements, which Finland has with the various low-cost suppliers. In respect of the low-cost suppliers, with which Finland has free-trade agreements, safeguard measures on imports of men's and boys' shirts have been taken whenever needed. Given the predominant market share, which Sri Lanka has reached, also the equity requirement of Article 3:2 would thus seem to make some kind of a restraint arrangement necessary.

As noted above, there has been a sharp and substantial increase of imports of men's and boys' shirts from Sri Lanka to Finland, as required in Annex A, paragraph II(I). These products are also offered at prices, which are substantially below those prevailing for similar goods of comparable quality in the Finnish market, as required in paragraph II(II). The average import price of a Sri Lankan shirt has been 11.74 Fmk as compared with 40 Fmk ex factory-price of a corresponding domestic product. The Sri Lankan price level has been the lowest of all suppliers with a meaningful market share.

Having noted the sharp increase in imports from Sri Lanka the Government of Finland requested consultations on April 20, 1981, in order to reach a bilateral agreement remedying the harmful effects of the situation to the
Finnish industry. A Finnish delegation visited Colombo on April 23, 1981, providing the Sri Lankan authorities with relevant statistical data and a draft agreement. Since the Sri Lankan authorities were not at that time in a position to initiate the consultations foreseen by Finland, a request was made to arrange for the consultation as soon as practicable. The Finnish authorities look forward to being able to resolve the issue bilaterally in the course of July 1981.

While aiming at a negotiated bilateral solution Finland has, however, found it necessary to take some provisional measures in order to safeguard the situation of its domestic industry as well as the established principle of equity under the MFA. Finland has, consequently, requested Sri Lanka to cooperate immediately on a bilateral emergency basis to avoid damage difficult to repair, by suspending the exports of men's and boys' shirts to Finland as of June 15, 1981.

This notification is made in order to meet the requirement of Article 3:6 to communicate to the Textiles Surveillance Body the full details of the situation and does not imply that Finland would wish the matter to be raised formally before the Body. Should Sri Lanka wish to refer the matter to the Body, Finland would of course be prepared to participate in the examination of the case.

Please accept, Sir, the renewed assurances of my highest consideration.

Matti Pullinen
First Secretary