

GENERAL AGREEMENT ON

CONFIDENTIAL

TEX.SB/1363/Add.1*
30 October 1987

TARIFFS AND TRADE

Textiles Surveillance Body

ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Bilateral Agreement between Canada and Indonesia

Note by the Chairman

Attached is a communication received from Canada providing certain clarifications on a number of points contained in the short, reasoned statement on the Canada/Indonesia agreement.¹

* English only/Anglais seulement/Inglés solamente

¹ The agreement notified under Article 4 is contained in TEX.SB/1363.

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The Permanent Mission of Canada
to the United Nations

La Mission Permanente du Canada
aupres des Nations Unies

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	Action	Comment	Int.
Director General			
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10A, avenue de Bude
1202 Geneva

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OPER. DEPT. A			
NTM & Serv. Div.			
Development Div.			
Trade & Fin. Div.			
Tech. Coun. Div.			
Sci. & Proj. Div.			
CMO Div.			
OPER. DEPT. B			
Econ. R. And. Unit			
Agriculture Div.			
Tariff Div.			
Tech. Bar. T. Div.			
Ext. Rel. Div.			
Training Div.			
Coord. / Admin.			
Trans. Doc. Div.			
Conference Off.			

Ambassador M. Raffaelli
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Mr. Ambassador: 652

The purpose of this letter is to correct certain misinterpretations which may have emerged from my previous (undated) letter to you setting out, in summary form, some of the key elements of the Memorandum of Understanding between the Government of Canada and the Government of Indonesia relating to the export from Indonesia of certain textiles and textile products for import into Canada effective from January 1, 1987 to December 31, 1991. This Arrangement replaces a previous arrangement which was in place between the two countries from January 1, 1984 to December 31, 1986.

Set out below are the operative paragraphs of that letter, as amended to clarify a number of issues.

The current agreement takes into account circumstances facing the Canadian clothing market and the position of Indonesia as a major supplier to this market. It also provides for increased Indonesian access to the Canadian textile and clothing market.

The arrangement maintains the same simplified classification system of the previous arrangement. In aggregate, there are only 10 clothing categories.

In accordance with the provisions of paragraph 24 of the Protocol, coverage in the arrangement has been expanded to include certain clothing items made from fibres

not covered in the previous arrangement. The expanded coverage was agreed to by both parties in view of the real risk of market disruption to Canadian manufacturers. Under the previous arrangement, coverage applied to imports from Indonesia that were wholly or mainly (i.e., 50 per cent or more) by weight of cotton, wool, or man-made fibres, or blends thereof. The current arrangement applies to imports which are wholly or mainly (i.e., 50 per cent or more) by weight of cotton, other vegetable fibres, wool, man-made fibres, silk, or blends thereof. Excluded from new fibre coverage are those products containing more than 85 per cent by weight of vegetable fibres other than cotton or more than 70 per cent by weight of silk fibres.

The annual growth rate in the current arrangement is 6 per cent for all items. Flexibility provisions with respect to swing are generally along the lines contained in the previous arrangement, ranging from 5 per cent to 7 per cent. Since most restraint categories were only added during the last year or two of the previous arrangement there was no provision except in the case of pants and tailored-collar shirts. For those two categories, carry over was 11 per cent and carry forward was 6 per cent. Combined flexibility of 15 per cent was provided for tailored-collar shirts only. In the new arrangement all categories are now entitled to combined flexibility of 15 per cent, carry over of 7 per cent and carry forward of 5 per cent.

With regard to paragraph 11 of the Protocol, the current arrangement contains a provision to consult in the event of difficulties arising from a sharp and substantial increase, by comparison to corresponding imports in the preceding restraint period, of imports of items subject to quantitative limits.

As in the past, there are provisions for: the exchange of statistics, crediting back to quantitative limits re-exports from Canada of restrained items, the spacing out of exports, consultations concerning the equity of restraints, and general consultations on matters affecting trade in textile and textile products between the two countries, including consultations on items not covered by restraints in the event of market disruption in Canada, or the threat thereof. Provisions encouraging imports of children's and infants' clothing have also been included in this arrangement.

In recent years there has been considerable disruption to the Canadian clothing and textile market

caused by a sharp and substantial increase in imports at prices substantially below those prevailing for similar goods produced in Canada. The average growth rate for low-cost clothing imports, on a unit volume basis, was 11 per cent between 1981 and 1985. This compares with an estimated annual market growth of approximately 2.3 per cent. As a result, the Canadian clothing industry has seen its share of the domestic market decline, on a unit volume basis, from 69 per cent in 1981 to 57 per cent in 1985. During that period Canadian Textile and Clothing Board estimates that import growth may have cost as many as 15,000 Canadian jobs. Apparel imports increased by approximately 10 per cent in 1986 leading to an expected further deterioration in the situation facing domestic producers. A complicating factor has been the highly erratic pattern of imports, with increases in low-cost clothing imports of 26 and 15 per cent during 1983 and 1984 respectively. This has seriously affected the ability of the Canadian Government and manufacturers rationally to plan and implement adjustment measures.

The Government of Canada believes this arrangement to be in conformity with the provisions of the MFA and Protocol of Extension and, as such, in keeping with the gradual liberalization of the Canadian import programme on textiles and clothing.

Accept, Sir, the renewed assurance of my highest consideration.



R. G. Wright
Minister