

GENERAL AGREEMENT ON

CONFIDENTIAL

TARIFFS AND TRADE

TEX.SB/1407*

18 November 1987

Textiles Surveillance Body

ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Notification under Article 4

Extension and amendment of the bilateral agreement between Canada and Brazil

Note by the Chairman

Attached is a notification received from Canada of an extension and modification of its agreement with Brazil. The agreement was extended for the twelve-month period ending 31 December 1987.¹

* English only/Anglais seulement/Inglés solamente

¹ The bilateral agreement and previous modifications are contained in COM.TEX/SB/931, 1136, 1191 and 1192.

TS 1140-4

The Permanent Mission of Canada
to the United Nations



RECEIVED	DATE	FILE
	Nov 21/87	

La Mission Permanente du Canada
aupres des Nations Unies
10A, avenue de Budé
1202 Geneva

880

November 5, 1987

Ambassador M. Raffaelli
Chairman
Textiles Surveillance Body
General Agreement on Tariffs
and Trade
Centre William Rappard
154, rue de Lausanne
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 and to the Protocol extending the MFA, done at Geneva on July 31, 1986, I have the honour to notify you of an amendment to the provisions extending the Memorandum of Understanding (MOU) between the Government of Canada and the Government of the Federative Republic of Brazil relating to the export from Brazil of certain textiles and textile products for import into Canada effective from January 1, 1987 to December 31, 1987.

The current arrangement takes into account circumstances facing the Canadian clothing market and the position of Brazil as a supplier to this market. The amendment, also, provides for improved Brazilian access to the Canadian textile and clothing market. In aggregate, there are only two clothing categories (T-shirts/sweatshirts; sportswear) and three textile categories (terry towels, washcloths and sets; bedsheets; pillowcases). Increases in base levels were accorded to the following items: category 2 (T-shirts and sweatshirts) 10%; category 4 (sportswear) 6%; category 3 (terry towels) 12%; category 3A (terry towels less than 30"x60") 9%. In addition, in view of the low volume of imports into Canada from Brazil, the restraint coverage on acrylic yarn was dropped from the MOU.

This amendment to the MOU provides for the inclusion of bedsheets and pillowcases and takes into account circumstances facing the Canadian textile market and the position of Brazil as a supplier to that market. Bedsheet imports from Brazil had increased substantially from 135,000 units in 1984 to 1,036,000 units in 1986. The domestic share of the apparent Canadian market dropped 19 percentage points to 56% in 1986 from 75% in 1984. Imports of pillowcases from Brazil similarly increased from 88,000 units in 1984 to 618,000 units in 1986. The domestic share of the apparent Canadian market dropped 25 percentage points to 46% in 1986 from 71% in 1984. In 1986 imports of bedsheets into Canada from Brazil represented 7% of the apparent Canadian market and imports of pillowcases from Brazil into Canada represented 5% of the apparent Canadian market.

In line with MFA guidelines, the amendment contains flexibility provisions which allow swing to a maximum of 5% for cotton terry towels and bedsheets and pillowcases. Since the amendment is limited to a one-year period, there are no provisions for growth, carry over, or carry forward.

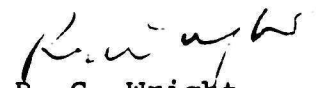
In recent years there has been considerable disruption to the Canadian clothing and textile market caused by a sharp and substantial increase in imports at prices substantially below those prevailing for similar goods produced in Canada. The average growth rate for low-cost clothing imports, on a unit volume basis, was 11 percent between 1981 and 1985. This compares with an estimated annual market growth of approximately 2.3 percent. As a result, the Canadian clothing industry has seen its share of the domestic market decline, on a unit volume basis, from 69 percent in 1981 to 57 percent in 1985. During the period the 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 percent 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 percent during 1983 and 1984 respectively. This has seriously affected the ability of the Canadian government and manufacturers to rationally plan and implement adjustment measures.

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

Copies of the Memorandum of Understanding and related documents are attached.

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

Yours sincerely,



R. G. Wright
Minister (Economic)

Canada-Brazil Textile and Clothing Consultations
Agreed Record of Discussions

Delegations representing the Government of Canada and the Government of the Federative Republic of Brazil met on March 18-20, in Brasilia, to discuss the future of existing bilateral arrangements which govern trade in certain textile and clothing products between Brazil and Canada in accordance with the provisions of the Arrangement Regarding International Trade in Textiles (MFA), and in particular Article 4 thereof.

While the consultations covered a wide range of issues related to these arrangements, it was agreed that the existing arrangement should be extended to December 31, 1987. To this end, this agreed record of discussion will be considered as Annex VII to the Memorandum of Understanding between the Government of Canada and the Government of the Federative Republic of Brazil relating to the Export from Brazil of Acrylic Yarn for Import into Canada, and will extend the duration of that Memorandum and its subsequent Annexes to December 31, 1987.

The Brazilian authorities will continue to restrain the export to Canada of the following textile and clothing products so as to ensure that such exports do not exceed its respective levels for the period January 1, 1987 and ending December 31, 1987, as stated below:

T-shirts/sweatshirts - 1,900,000 units

Cotton terry towels,
washcloths and sets - 865,000 kg, which not more than
578,000 kg to be cotton terry
towels, washcloths and sets other
than beach towels bath sheets and
beach blankets, in accordance with
Appendix I of Annex IV of the
Memorandum of Understanding

Sportswear - 828,000 units

In addition, Brazilian authorities have agreed to restrain the export to Canada of bedsheets and pillowcases to the following levels for the period December 1, 1986 and ending December 31, 1987.

Bedsheets - 1,200,000 units

Pillowcases - 1,200,000 units



MR It was agreed that the sportswear category and the T-shirts and sweatshirts category shall each be accorded a swing provision of up to 7% and that the conversion factors for the use of this swing provision shall be 3.5 square metres per unit of sportswear and 1.5 square metres per unit of sweatshirts and T-shirts. Following notification to the Canadian authorities, the restraint level for either item may be exceeded by the percentage identified above, provided that an equivalent amount, calculated on the basis of the conversion factors, is deducted from the restraint level for the other item. W


It was further agreed that the terry towel category, the bedsheet category and the pillowcase category shall each be accorded a swing provision of up to 5% and that the conversion factors for the use of the swing provision shall be 2.8 meters squared per kilogram for the terry towels category, 0.5 kg per unit for the bedsheet category and 0.2 kg per unit for the pillowcase category. Subject to the limitations set out above and following notifications to the Canadian authorities, the restraint level of any of these three items may be exceeded by the percentage identified above provided that an equivalent amount, calculated on the basis of the conversion factors, is deducted from the restraint level of the other item.

It was further agreed that no swing is permitted between the textile products (terry towels, bedsheets, pillowcases) categories and the clothing products (T-shirt/sweatshirt, sportswear) categories.

The Canadian and the Brazilian Delegations noted their signatures of this Agreed Record were on an ad referendum basis subject to the approval of both the Canadian and Brazilian Governments and to confirmation by means of an exchange of diplomatic notes indicating acceptance.

Brasilia, 20th March, 1987


For the Government of Canada


For the Government of the
Federative Republic of Brazil

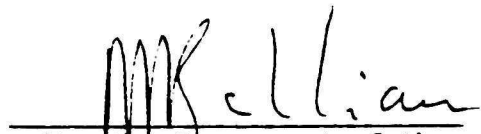
With regard to the Agreed Record of Discussion on Canada-Brazil Textile and Clothing Consultations signed on March 20th, 1987, this is to confirm the understanding that the Brazilian authorities (CACEX) agree to provide documentary evidence to the Canadian authorities confirming the exporter name, license number, quantity and value, for the shipments of bedsheets and pillowcases exported from Brazil to Canada during the period beginning December 1, 1986 and ending March 31, 1987.

The Canadian authorities, upon verification of this data, will adjust the restraint levels by subtracting these agreed quantities from the agreed restraint levels. The level of unutilized quotas will be confirmed in writing to the Brazilian authorities.

In case of disagreement, or discovery of inequity, both sides agree to consult promptly and or exchange information with a view to resolving any differences.


Brasilia, March 20th, 1987


For the Government of Canada


For the Government of the
Federative Republic of Brazil

The two delegations agreed to exclude from the restrained products the item acrylic yarn, whose reference in the second paragraph in Annex VII is just intended to preserve the structure of all textile and clothing agreements reached between Brazil and Canada.

Brasilia, March 20, 1987


For the Government of Canada
For the Government of the
Federative Republic of Brazil