

GENERAL AGREEMENT ON

CONFIDENTIAL

TEX.SB/1425/Add.1^{*}
22 January 1990

TARIFFS AND TRADE

Textiles Surveillance Body

ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Notification under Article 4

Amendment of Bilateral Agreement between Canada and Romania

Note by the Chairman

Attached is a notification received from Canada of an amendment of its agreement with Romania. Adjustments were made to three restraints in the agreement (Categories 2, 3 and 4), the group limit for Category 4 was eliminated, and three new restraints were agreed (Categories 7, 8 and 9).¹

¹The bilateral agreement is contained in TEX.SB/1425. The TSB had agreed to defer its consideration of the agreement, as it was informed at the time that certain modifications to restraints in the agreement were being negotiated.

^{*}English only/Anglais seulement/Inglés solamente

T3/140-4

The Permanent Mission of Canada
to the United Nations



La Mission Permanente du Canada
auprès des Nations Unies

1, rue du Pré-de-la-
Bichette
1202 Geneva

16 January, 1990

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 that effective from January 1, 1988 to December 31, 1991 the restraint coverage of the Memorandum of Understanding (MOU) between the Government of Canada and the Government of the Socialist Republic of Romania relating to the Export from Romania of Certain Textiles and Textile Products for Import into Canada has been amended to include bedsheets, pillowcases and sportswear (see attached).

The modification of the MOU covers clothing and textile products which fall within the scope of the MFA and takes into account circumstances facing the Canadian clothing and textile market and the position of Romania as an established supplier to that market. The level applicable to exports of bedsheets, pillowcases and sportswear from Romania for import into Canada was established taking into consideration historical trading patterns and other provisions contained in Article 4 of the MFA and its Protocol of Extension.

The share of Canadian domestic market for bedsheets and pillowcases held by Canadian producers declined from 79 percent in 1983 to 49 percent in 1987, a drop of 30 percentage points. At the same time, employment in the Canadian bedsheet and pillowcase industry declined from 2,380 workers in 1983 to 1,600

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workers by the end of 1986, a loss of 780 jobs. In 1987 a further 250 jobs were lost.

From a negligible level in 1985, imports of bedsheets (and pillowcases) from Romania reached 456,000 units, up from 216,000 units during the same period a year earlier, for a 9 percent increase. In the 12 months ending August 1987, imports reached 475,000 units, a level exceeding the 1987 restraint level in place with Hong Kong.

Total imports of bedsheets increased by 53 percent between 1982 and 1985 to a level of 3.3 million units and almost doubled to a level of 6.3 million units in 1986. Imports of bedsheets from exporting developing countries increased from 575,000 units in 1982 to a level of 1.8 million units in 1985 and subsequently more than doubled to a level of 4.7 million units in 1986.

Imports of pillowcases from Romania into Canada in 1986 increased sharply to 307,000 units from 54,000 units in 1985. In the first 8 months of 1987 imports of pillowcases from Romania rose to 156,000 units, for an increase of 7 percent over the same period in 1986. In the 12 months ending August 1987 imports reached 317,000 units.

Total imports of pillowcases into Canada increased steadily from a level of 2.9 million units in 1982 to 3.1 million units in 1984 and then more than doubled to a level of 6.6 million units in 1986. Total imports from exporting developing countries increased 20 percent from 1982 to a level of 2.2 million units in 1985 and then increased sharply to a level of 5.4 million units in 1986.

The average 1986 unit price for polyester-cotton bedsheet and pillowcase sets originating in Romania was \$8.61, 16 percent less than the average price of \$9.96 dollars for imports from all exporting developing country sources and 80 percent below the domestic price of \$15.50.

Imports of sportswear increased by 99 percent from 1981 to 1984 before registering a slight decline of 4 percent in 1985. In 1986, imports increased by 16 percent over 1985, reaching a level of 30.5 million units. During the period January to August 1987, imports showed an even stronger performance, with a level of 25 million units representing a rise of 7 percent over the same period in 1986.

Although domestic shipments had also increased over the same period, the average annual rate of increase was far lower than that of imports, averaging about 5 percent between 1982 and 1986. As a result, the share of the Canadian domestic market held by Canadian producers fell from 73 percent in 1982 to 59 percent in 1986. This decline was accompanied by a 15 percent decrease in employment since the early 1980s. From 1980 to 1986 approximately 20 firms have closed, resulting in over 2,800 job losses. In 1986 alone, about 10 firms ceased operation, resulting in the loss of 455 jobs. Approximately 300 jobs were lost in 1987.

Imports of sportswear from Romania in 1986 increased sharply to 505,000 units from 97,000 units in 1985. Imports showed an even stronger performance in 1987. In the first eight months of 1987 imports of sportswear from Romania reached a level of 530,000 units, thus surpassing the level attained in the entire year of 1986. Furthermore, the 12 month level to September, 1987, of sportswear imports from Romania, at 717,760 units, exceeded the annual level which Canada had in place with six of twelve sources subject to restraint for this item.

The average unit price of domestically produced sportswear in 1985 was \$33.86. It was estimated that domestic prices increased by 5 to 10 percent in 1986, with further increases expected in 1987 due to higher labour and material costs. The 1987 average unit cost of \$7.36 for products in this category from Romania fell below the 1987 average price from exporting developing countries sources of \$11.78 and well below the average cost of sportswear manufactured domestically.

During the negotiations held March 8-9, 1988, in Bucharest it was agreed that for the period January 1, 1988 to December 31, 1988, total exports of bedsheets would not exceed 700,000 units, and those of pillowcases would not exceed 475,000 units. For the same period, imports of sportswear, excluding athletic sets and miscellaneous infants garments, would not exceed 867,000 units. The agreement contains a flexibility provision which allows swing of 6 percent in the three categories. Carry-over and carry-forward are set at 10 percent and 5 percent respectively, as per the conditions of the main agreement. Annual growth is set at 5 percent.

At the request of the Romanian authorities, adjustments were made to Categories 2, 3 and 4 of the Canada/Romania Textile Agreement (MOU). Category 2

(Tailored-Collar Shirts) was increased to 512,000 units (i.e. an increase of 200,000) and Category 3 (Sweaters) was increased to 1,468,030 units (i.e. an increase of 25,0000). The group limit for category 4 has been eliminated. Items 4a (Blouses and Shirts, WGCI) and 4b (Shirts Other, MBCI) were combined into a net level of 683,873 units. Items 4e (Rainwear, MBWGCI) and 4i (Coats) were combined at a level of 384,399 units of which a sub-limit was established for 4i of 251,242 units. Growth and flexibility provisions remain the same as in the original agreement.

The Government of Canada believes this agreement conforms with the provisions of the MFA and its Protocol of Extension and, as such, is in keeping with the gradual liberalization of the Canadian import programme on clothing and textiles.

Yours sincerely,

John Gero
Counsellor

ANNEX IV

CANADA-ROMANIA TEXTILE CONSULTATIONS

AGREED RECORD OF DISCUSSIONS

1. A delegation representing the Ministry of Foreign Trade and International Economic Cooperation of Romania and a delegation representing the Government of Canada met in Bucharest on March 8-9, 1988 for consultations in respect of the export of certain textile products from Romania to Canada. These discussions were held pursuant to a request made by Canada in accordance with paragraphs 31 a-e of the Memorandum of Understanding between the Government of the Socialist Republic of Romania and the Government of Canada relating to the export from the Socialist Republic of Romania of Certain Textiles and Textile Products for Import into Canada (MOU).
2. During the discussions, which were concluded, having regard to Article 4 of the Arrangement Regarding International Trade in Textiles (MFA), the following was agreed upon by the two delegations.
3. Exports of bedsheets, pillowcases, and sportswear (being dresses, skirts, suits, coordinates, matching sets, blazers and leisurewear, as defined in attached Appendix 2) from Romania to Canada shall be subject to restraint effective from January 1, 1988 and for the term of the MOU ending December 31, 1991.
4. During the period January 1, 1988 to December 31, 1988 exports of bedsheets and of pillowcases shall not exceed 700,000 units and 475,000 units respectively and exports of sportswear shall not exceed 867,000

units, and each of these items shall be accorded the corresponding annual growth, swing, carry-over and carry-forward, combined flexibility, and conversion factor indicated in columns (D) through (H) of the attached Appendix I.

5. It was further agreed that bedsheets shall be identified as Item No. 7, pillowcases as Item No. 8, and Sportswear as Item No. 9 of the MOU.
6. The two delegations also agreed to the following amendments to Item No. 4 of the MOU:
 - (i) That MOU Items 4(a) and 4(b) together be subject to a single restraint with a 1988 level of 683,873 units;
 - (ii) That MOU Items 4(e) and 4(i) together be subject to a 1988 total level of 384,399 units of which shipments of products classified in Item No. 4(i) -- overcoats and topcoats -- are not to exceed 251,241 units in 1988;
 - (iii) that the 1988 levels for the items in paragraphs (i) and (ii) ^{above} ~~alone~~ and for the ^{other} ~~items~~ in Item No. 4 be recorded in units as noted in the attached Appendix I and that each of the items be subject to these individual levels which will be accorded annual growth, swing, carry-over and carry-forward, combined flexibility and ^Nconversion factor as noted in the appendix;
 - (iv) that the aggregate level for MOU Item 4 be removed.
7. It was further agreed that the 1988 level for Item No. 2 (tailored-collar shirts) be increased to 512,000 units and that the 1988 level for Item No. 3 (sweaters) be increased to 1,468,030 units and that each

of those shall be accorded annual growth, swing, carry-over and carry-forward, combined flexibility and conversion factor as indicated in the corresponding columns (D) through (H) of Annex I of the MOU.

8. This Agreed Record of Discussions and Appendix^{CS} shall be considered as Annex IV to the MOU and shall form an integral part of the MOU pursuant to paragraph 35 of the MOU.
9. The two delegations noted that their signature of this Agreed Record was on an ad referendum basis subject to confirmation by their Governments through an exchange of letters indicating acceptance.

Bucharest, March 9, 1988

For the Canadian Delegation For the Romanian Delegation

APPENDIX I

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
Item No.	Product Description	1988 Restraint Level	Growth	Swing	Carry-Over/ Carry-Forward	Combined Flexibility (E) & (F)	Conversion Factor (M ² / Units)
<u>Group A</u>							
2.	Shirts with tailored collars, MB	512,000	4%	6%	10% (5%)	12%	1.7
3.	Sweaters, MBWGCI	1,468,030	3%	6%	10% (5%)	12%	1.1
4.(a),(b)	Blouses and Shirts, WGCI and Shirts, Other, MBCI	683,873	6%	5%	10% (5%)	12%	1.6
4.(c)	T-shirts, Sweatshirts, MBWGCI	515,044	6%	5%	10% (5%)	12%	1.6
4.(d)	Jackets other than wool, MBWGCI	376,862	6%	5%	10% (5%)	12%	2.6
4.(f)	Sleepwear and Bathrobes, MBWGCI	133,158	6%	5%	10% (5%)	12%	3.1
4.(g)	Shorts, Overalls, Coveralls, MBWGCI	133,158	6%	5%	10% (5%)	12%	1.8
4.(h)	Jackets Wool (17% or more by weight) MBWGCI	251,241	6%	5%	10% (5%)	12%	2.6
4.(e),4(i)	Rainwear, Overcoats and Topcoats, MBWGCI of which (4i) Overcoats and Topcoats	384,399	6%	5%	10% (5%)	12%	4.0
		251,241	6%	5%	10% (5%)	12%	4.0
9.	Sportswear	867,000	5%	6%	10% (5%)	12%	3.5
<u>Group B</u>							
7.	Bedsheets	700,000	5%	6%	10% (5%)	12%	5.2
8.	Pillowcases	475,000	5%	6%	10% (5%)	12%	1.2

APPENDIX 2

Definitions and Description of Terms

Item No. 9
(Sportswear)

Dresses, women's and girls', children's and infants'.
Dresses are one-piece garments extended above the waist, including jumpers, evening gowns, dusters and house dresses (other than sleepwear).

Skirts, women's and girls', children's and infants'.
Skirts are one-piece garments, not extending above the waist including golf skirts, kilts (including men's and boys') and culottes (divided skirts).

Suits, Coordinates, and Leisure Sets

Suits and coordinates are garments comprising two or three matched or coordinated pieces, covering both the upper and lower parts of the body, packed and shipped and sold as a set. Excluded are pieces which are Fine Suits, Winter Outerwear, Underwear, Sleepwear, Swimwear, Foundation Garments, Rainwear, Shirts Tailored-Collar.

Coordinates or matching sets, men's and boys', children's and infants'.

Suits, coordinates, or matching sets, and blazers, women's and girls', children's and infants'.

Leisurewear. Coordinates not defined by any other definitions in this Annex. These may include shortsets, beachwear sets and cabana sets.

Item No. 7 Bedsheets, woven, including flannelette sheets.

Item No. 8 Pillowcases, woven.

Canadian Embassy



Ambassade du Canada

No. 41

The Canadian Embassy presents its compliments to the Ministry of Foreign Trade of the Socialist Republic of Romania and wishes to refer to the agreed record of discussions signed by representatives of Canada and Romania in Bucharest on March 9, 1988 relating to the exports from Romania of sportswear and of bedsheets and pillowcases for import into Canada. In accordance with paragraph 9 of the agreed record, Canadian authorities wish to confirm acceptance of the provisions contained in the agreed record and propose that this Note together with the reply from Romanian authorities confirming acceptance by their Government, give effect to the agreement outlined in the agreed record.

The Canadian Embassy avails itself of this opportunity to renew to the Ministry of Foreign Trade of the Socialist Republic of Romania the assurances of its highest consideration.

BUCHAREST, May 16, 1988





MINISTERUL COMERȚULUI EXTERIOR
ȘI COOPERĂRII ECONOMICE INTERNAȚIONALE

The Ministry of Foreign Trade and International Economic Cooperation of the Socialist Republic of Romania presents its compliments to the Canadian Embassy and has the honor to refer to the Canadian Embassy Note No 41 dated May 16, 1988 and to inform the Embassy that the agreed record of discussions signed by representatives of Romania and Canada in Bucharest on March 9, 1988 relating to the exports from Romania of sportswear and of bedsheets and pillowcases for import into Canada was approved by Romanian authorities.

In accordance with paragraph 9 of the agreed record, Romanian authorities wish to confirm acceptance by Romanian Government of the provisions contained in the agreed record and that the Canadian Embassy Note No 41 dated May 16, 1988 together with this Note of reply give effect to the agreement outlined in the agreed record.

The Ministry of Foreign Trade and International Economic Cooperation of the Socialist Republic of Romania avails itself of this opportunity to renew to the Canadian Embassy the assurances of its highest consideration.

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