

# GENERAL AGREEMENT ON

CONFIDENTIAL

## TARIFFS AND TRADE

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TEX.SB/1474\*  
6 June 1988

Textiles Surveillance Body

### ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

#### Notification under Article 3:5

#### Measures taken by Canada on imports from Brazil

#### Note by the Chairman

Attached is a notification received from Canada of unilateral measures taken under Article 3:5 on imports of bedsheets, pillowcases and cotton terry towels.

Also attached is the notification received under Article 3:3.

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\*English only/Anglais seulement/Inglés solamente

The Permanent Mission of Canada  
to the United Nations



La Mission Permanente du Canada  
auprès des Nations Unies

10A, avenue de Budé  
1202 Geneva

May 26, 1988

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,

ANSWERED	COC. ISSUED	FOLIO
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[illegible]

I refer to my letter of January 5, 1988 in which I informed you of the request by the Government of Canada for Article 3 consultations with the Government of Brazil on bedsheets, pillowcases, cotton terry towels, washcloths and sets originating in Brazil.

I have been instructed to inform you that due to the impasse reached during recent negotiations, the Government of Canada is invoking its rights under Article 3:5 of the MFA and establishing quotas on the above products.

The established levels on imports originating from Brazil shall be:

- |   |                 |
|---|-----------------|
| 1. Bedsheets  | 1,170,000 units |
| 2. Pillowcases  | 1,170,000 units |
| 3. Cotton Terry Towels,<br>washcloths and sets                                      | 865,000 kgs.    |
| 3a. of which cotton terry towels,<br>washcloths and sets less<br>than 30x60 inches. | 578,000 kgs.    |

Yours sincerely,

John Gero  
Counsellor

TS/140-3

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The Permanent Mission of Canada  
to the United Nations



La Mission Permanente du Canada  
auprès des Nations Unies

10A, avenue de Budé  
1202 Geneva

January 5, 1988

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,

I have been instructed to inform the Textiles Surveillance Body that due to a sharp and substantial increase in imports into Canada of bedsheets, pillowcases, cotton terry towels, washcloths and sets originating in Brazil, the Government of Canada has requested consultations with the Government of Brazil under the provisions of Article 3 of the Arrangement Regarding International Trade in Textiles (the MFA) with respect to these products.

A detailed factual statement of the reasons and justification for this request as well as the latest data concerning market disruption are attached. I shall inform the Textiles Surveillance Body in due course of the results of these consultations.

Please accept the assurances of my highest consideration.

John Gero  
Counsellor

cc: Mr. J.A. Graca Lima  
Counsellor  
Permanent Mission of Brazil

ANSWERED	DOC. ISSUED	FILED
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REG - 7 JAN. 1988		
For	Action	Comments
DIRECTOR GENERAL		
Info. Service		
OFFICE LEGAL ATT.		
Sec. Counsellor		
CHIEF MAN TGB	X	
CHIEF MAN TGB		

For		
OPER. DEPT. A		
NTM & Surv. Div.		
Development Div.		
Trade & Fin. Div.		
Tech. Coun. Div.		
Spec. Proj. Div.		
CIN Div.		
OPER. DEPT. B		
Recn. & Anal. Unit.		
Agriculture Div.		
Trade Div.		
Tech. Coun. Div.		
Ext. Rel. Div.		
Training Div.		
Coord. / Admin.		
Trade Div.		
Gen.		

CANADIAN REQUEST FOR CONSULTATIONS WITH BRAZIL  
UNDER ARTICLE 3 OF THE MFA

Canadian authorities have the honour to provide the following detailed factual statement of the reasons and justification for their request for consultations under Article 3 of the MFA with respect to exports of bedsheets, pillowcases, cotton terry towels, washcloths and sets from Brazil to Canada, including the latest data concerning elements of market disruption.

a) Bedsheets and Pillowcases

Canadian authorities wish to note that there has been a sharp and substantial increase in the imports into Canada of bedsheets and pillowcases originating in Brazil. From a previously negligible level in 1983, Canadian imports of bedsheets from Brazil increased to 135,000 units in 1984, more than tripled in 1985 to a level of 477,000 units. In 1986, imports sharply increased to a level of 1,036,000 units, more than double the 1985 level. In the first eleven months of 1987, imports reached 1,265,000 units, compared to 944,000 units over the same period a year earlier, an increase of 34 per cent. The eleven month level exceeds the 1987 restraint levels that Canada has in place with Hong Kong and the Republic of Korea, and is only 2 per cent less than the level established with the People's Republic of China.

Total imports of bedsheets increased 53 per cent 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. Between 1982 and 1985, the apparent Canadian market, however, increased by only 5 per cent to a level of 12.3 million units, and grew by only 13 per cent, to a level of 13.9 million units in 1986. Preliminary estimates indicate that the apparent Canadian market is expected to decline to approximately 12.6 million units in 1987. In the first eleven months of 1987 the import level of bedsheets from Brazil accounted for approximately 10 per cent of the estimated 1987 market, compared to 1 per cent in 1984, an increase of 9 percentage points.

As a result of increasing imports, domestic shipments steadily declined to a level of 7.6 million units in 1986, a drop of 35 per cent from the level of domestic shipments in 1983. In 1987, domestic shipments in the first nine months were only 6

million units, compared to 5.5 million units for the same period in 1986, representing a further drop of 17 per cent. Accordingly, while in 1982 domestic shipments represented 81 per cent of the apparent Canadian market, in 1986 they were only 55 per cent, a drop of 26 percentage points. In 1987 domestic shipments are expected to decline by a further 5 percentage points.

Imports of pillowcases from Brazil into Canada in 1986 increased sharply to 618,000 units from 285,000 units in 1985 and 88,000 units in 1984. In the first eleven months of 1987 imports of pillowcases from Brazil were 1,049,000 units compared to 556,000 units over the same period in 1986, an increase of 89 per cent.

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. The apparent Canadian market for pillowcases in 1986 was 12.2 million units representing an increase of 15 per cent over the 1985 level and a 26 per cent increase over the 1982 level. However, while in 1984 domestic shipments of pillowcases accounted for 71 per cent of the Canadian market, in 1986 domestic shipments accounted for only 46 per cent, a drop of 25 percentage points.

As a result of competition from imports, employment in the industry declined to 1,600 workers by the end of 1986 from 2,380 in 1983, a drop of 780 jobs. During this period, a major company ceased operations (1985). The industry in 1986 and 1987 continued to incur heavy financial operating losses in its bedsheet/pillowcase operations. Heavy import penetration from low-cost sources has now decided the ultimate fate of one of the remaining operations in which, by the end of 1987, production of bedsheets and pillowcases will cease. The remainder of the industry concerned with bedsheet/pillowcase production is operating at only 75 per cent capacity.

b) Cotton Terry Towels, Washcloths and Sets

Imports from Brazil of cotton terry towels, washcloths and sets increased sharply from a level of only 36,000 kg. in 1982 to 545,000 kg. in 1984 and jumped to 674,000 kg. in 1985, an increase of 19 per cent. In 1986, there was a further increase in imports of cotton terry towels from Brazil of 8 per cent to a level of 726,000 kg. In the first eleven months of 1987, imports from Brazil reached a level of 591,000 kg., compared to the level of

588,000 kg. for the same period in 1986. In the eleven months of 1987, imports from Brazil have already exceeded annual restraint levels in place for 1987 with five countries with which Canada has restraint arrangements.

Total imports of cotton terry towels, washcloths and sets into Canada increased from a level of 2.7 million kg. in 1982 to 5.0 million kg. in 1984, an increase of about 85 per cent in only two years. In 1985, total imports declined slightly to 4.3 million kg. but subsequently recovered to 4.6 million kg. in 1986, an increase of 8 per cent. In the first nine months of 1987 total imports have moderated slightly to 3.5 million kg. compared to 3.9 million kg. for the same period in 1986.

The apparent Canadian market for cotton terry towels, washcloths and sets in 1982 was 6.7 million kg. and increased 33 per cent to a level of 8.9 million kg. in 1983 and by 9 per cent to a level of 9.7 million kg. in 1984. In 1985 the apparent Canadian market was 9.1 million kg. but then increased by 5 per cent to a level of 9.5 million kg. in 1986. In 1986, domestic shipments reached a level of 4.9 million kg., an increase of only 2 per cent over the 1985 level of 4.8 million kg. Whereas, in 1982 domestic shipments represented 59 per cent of the Canadian market, in 1986 they were only 51 per cent, a drop of 8 percentage points. Imports from Brazil represent 16 per cent of imports and 8 per cent of the Canadian market.

The Textile and Clothing Board, an independent Board which advises the Government of Canada on matters pertaining to the import of textiles and textile products into Canada, recommended in a 1985 inquiry that Canada enter into consultations with low-cost suppliers of terry towels which are threatening serious injury to Canadian suppliers when imports from such sources approximate 100,000 kg. on an annual basis. Since publication of the report, one of Canada's long established producers of textile products, including cotton terry towels of all types, ceased operations thus displacing a total of 2,400 employees. Although some of the company's towel finishing facilities were taken over by another company, after two years of incurring financial losses these operations will cease as of December 31, 1987. This action has resulted in a displacement of about 137 employees. Moreover, it is anticipated that Canada's only other towel producer will show a decline in activities with a reduction of about 7 per cent in shipments in 1987 over 1986.

In light of the level of imports of bedsheets and pillowcases and of cotton terry towels, washcloths and sets from

Brazil, the difficult and worsening situation in the Canadian industry, the injury which has been experienced and the real risk of further serious disruption in the Canadian market, any further uncontrolled increased in the level of imports of these products from Brazil would further damage the market for these products in Canada. Accordingly, Canadian authorities have requested consultations with the Brazilian authorities under Article 3 of the MFA with a view to resolving this problem.