

# GENERAL AGREEMENT ON

CONFIDENTIAL

## TARIFFS AND TRADE

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TEX.SB/1501\*  
23 August 1988

Textiles Surveillance Body

### ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

#### Notification under Article 4

#### Amendment of the bilateral agreement between Canada and Malaysia

#### Note by the Chairman

Attached is a notification received from Canada of an amendment of its bilateral agreement with Malaysia.

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\* English only/Anglais seulement/Inglês solamente

<sup>1</sup> The bilateral agreement contained in COM.TEX/SB/1360.

TS 1140-4

The Permanent Mission of Canada  
to the United Nations



La Mission Permanente du Canada  
aupres des Nations Unies

937

ANSWERED	DOC. ISSUED	FOLIO
188.35/136		
REG - 1 Août 1988		
FOR	Action	Comment
Director E. A.		
Mr. G. L.		
Office of Aff.		
Sec. Gen. Aff. Div.		
CHAIRMAN TSB	X	
GEN/GATT Pol. Aff. Div.		

10A, avenue de Budé  
1202 Geneva

July 28, 1988

Ambassador M. Raffaelli  
Chairman  
Textiles Surveillance Body  
General Agreement on Tariffs  
and Trade  
Centre William Rappard  
Rue de Lausanne, 154  
CH-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 Malaysia relating to the export from Malaysia of certain textiles and textile products for import into Canada has been amended to include winter outerwear, jackets and rainwear (see attached).

The modification of the MOU covers clothing products which fall within the scope of the MFA and takes into account circumstances facing the Canadian clothing market and the position of Malaysia as an established supplier to that market. The level applicable to exports of winter outerwear, jackets and rainwear from Malaysia 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.

Imports of winter outerwear from Malaysia were negligible in 1985 but rose to 57,000 units in 1986 and 90,259 units in the 12 months ending August, 1987. During the same time period, they exceeded restraint levels in place for the full calendar year with six other major low-cost suppliers. Overall, imports of Malaysia winter

	Acc.	Com.	Int.
OPER. DEPT. A			
NTM & Surv. Div.			
Development Div.			
Trade & Fin. Div.			
Tech. Coop. Div.			
Spec. Proj. Div.			
GNS Div.			
OPER. DEPT. B			
Econ. R. Anal. Unit.			
Agriculture Div.			
Tariff Div.			
Tech. Bar. T. Div.			
Ext. Rel. Div.			
Training Div.			
Coord. Admin.			
Trans. Doc. Div.			
Conference Ctr.			

outerwear over the same time period have also exceeded import levels of all countries except five. These imports have had a major impact on Canadian manufacturers. The share of the Canadian market for winter outerwear held by Canadian producers fell from 65 per cent in 1980 to 43 per cent in 1986, a drop of 22 percentage points. At the same time there has been a 26 per cent decrease in employment between 1980 and 1986. By June 1986 there were only 2,334 production workers, a 6 per cent decline over one year. The average price for winter outerwear in 1986 was \$6.67 for imports from Malaysia as opposed to \$39.43 for similar products of Canadian domestic production and \$20.46 for all low-cost sources.

The share of the Canadian domestic market for jackets held by Canadian producers fell from 43 per cent in 1980 to 24 per cent in 1986, a drop of 19 percentage points. At the same time there has been a 66 per cent decrease in employment between 1980 and 1986 with only 426 in-house production workers remaining in 1986. The average price for jackets in 1986 was \$6.00 for imports from Malaysia, as opposed to \$27.71 for similar products of Canadian domestic production. Imports of jackets from Malaysia for the 12 months ending August, 1987 were 543,745 units. Malaysia had become the third largest exporter of jackets to Canada overall.

The share of the Canadian domestic market for rainwear held by Canadian producers fell from 47 per cent in 1980 to 30 per cent in 1986, a drop of 17 percentage points. At the same time there has been a 12 per cent decrease in employment between 1984 and 1986 when 770 workers were employed in this sector. The average price for rainwear in 1986 was \$3.08 for imports from Malaysia, as opposed to \$48.69 for similar products of Canadian domestic production. Imports of rainwear from Malaysia reached 39,159 units in the 12 months ending August, 1987 from having shipped no rainwear in 1985. Malaysia had become the fourth largest exporter of rainwear to Canada overall.

In the negotiations held January 20 to 21, 1988 it was agreed that total exports of winter outerwear to Canada should not exceed 110,000 units in the first one-year period. The first-year quota on jackets and rainwear was set at 685,000 units. In line with MFA guidelines, the arrangement contains a flexibility provision which allows swing of 5 per cent at a conversion factor of 3.4 square metres per unit of winter outerwear and 2.8 square metres per unit of jackets or rainwear. Carry-over and carry-forward are set at 10 per cent and 5 per cent respectively, with a combined, maximum flexibility of 15 per cent. Annual growth is set at 5 per cent. In addition, there is special additional swing from the jackets and rainwear category into winter outerwear of 10 per cent for 1988 only.

The Government of Canada believes this arrangement conforms with the provisions of the MFA and to its 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 assurances of my highest consideration.

Yours sincerely,

A handwritten signature in cursive script, appearing to read 'J. Gero'.

J. Gero  
Counsellor

**CANADA-MALAYSIA TEXTILE CONSULTATIONS**  
**AGREED RECORD OF DISCUSSIONS**

1. Delegations representing the Government of Canada and the Government of Malaysia met on January 20-21, 1988 in Kuala Lumpur to discuss the export of winter outerwear from Malaysia to Canada in accordance with paragraphs 30-34 of the Memorandum of Understanding between the Government of Canada and the Government of Malaysia Relating to the Export from Malaysia of Certain Textiles and Textile Products for Import into Canada (MOU).
2. During the discussions, it was agreed that, pursuant to the MOU, Malaysian exports to Canada of winter outerwear will be subject to restraint effective January 1, 1988 and for the term of the MOU, ending on December 31, 1991. It was also agreed that exports of jackets and rainwear would also be subject to restraint over the same period, pursuant to Article 4 of the Arrangement Regarding International Trade in Textiles (MFA).
3. Winter Outerwear is defined in Section 6 of Annex II of the MOU, and Jackets and Rainwear are defined in Section 16 of Annex II. For purposes of identifying these restrained items, Winter Outerwear shall be specified as Category 6 and Jackets and Rainwear shall be specified as Category 16A, of Group A (Clothing) of Annex I of the MOU.
4. It was agreed that during the period January 1, 1988 to December 31, 1988, exports of Winter Outerwear and of Jackets and Rainwear will be restrained at the levels indicated in Column C of the attached Appendix. It was also agreed that the provisions for annual growth, swing, carry-over and carry-forward, combined flexibility and conversion factor indicated in Columns (D) through (H) of the attached appendix will apply.
5. During the course of the discussions, it was also agreed that a special swing from Category 16A to Category 6 will be available, in 1988 only, up to 10 percent (11,000 units) of the original restraint level for Category 6, taking into account the applicable conversion factor.
6. This Agreed Record of Discussions and accompanying Appendix will be considered as Annex IV to the MOU. The provisions of the MOU will therefore be read as including Winter Outerwear and Jackets and Rainwear, Category 6 and Category 16A respectively, of the MOU.

*JP*

*G* ...2

7. The two delegations noted that their signatures of this Agreed Record were on an ad referendum basis subject to confirmation by their Governments through an exchange of notes indicating acceptance.

**KUALA LUMPUR**  
January 21, 1988

A handwritten signature in cursive script, appearing to read "Michael Copla".

For the Government of Canada

A handwritten signature in cursive script, appearing to read "Ch. P. H. S.". The signature is stylized with a large initial "C" and a long horizontal stroke.

For the Government of Malaysia

<u>RESTRAINT LEVELS</u>							
(A) Category No.	(B) Short Description	(C) Restraint Levels	(D) Growth	(E) Swing	(F) Carry-Over/ Carry-Forward	(G) Combined Flexibility (E) + (F)	(H) Conversion Factor (M <sup>2</sup> /Unit)
<u>Group A-Clothing</u>		(units)					
6	Winter Outerwear MBWGCI	110,000	5%	5% <sup>(1)</sup>	10%/5%	15%	3.4
16A	Jackets, Rainwear MBWGCI	685,000	5%	5%	10%/5%	15%	2.8

**Note**

(1) Special Swing (additional to that indicated above), 10% from Category 16A is available in 1988 only.




Canadian High Commission



Ambassadeur du Canada

P.O. Box 10990  
50732 Kuala Lumpur

File: NC45-1

May 5, 1988

**By Hand**

Datuk Ahmad Sarji  
Secretary General  
Ministry of Trade & Industry  
15th Floor, Block 10  
Government Offices Complex  
Jalan Duta  
50622 Kuala Lumpur

Dear Datuk,

I wish to refer to the Agreed Record of Discussions signed by representatives of Canada and Malaysia in Kuala Lumpur on January 21, 1988 relating to the export from Malaysia of winter outerwear, jackets and rainwear for import into Canada.

The Canadian authorities wish to confirm acceptance of the provisions contained in the Agreed Record and propose that this letter, together with the reply from the Malaysian authorities confirming acceptance by their Government, give effect to the arrangement outlined in the Agreed Record.

Please accept, Datuk, the assurances of my highest consideration.

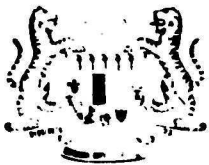
Yours sincerely,

Manfred G. von Nostitz  
High Commissioner

cc: Ministry of Foreign Affairs  
Economics Division

bcc: Encik Ahmad Ibrahim  
Ministry of Trade & Industry





KEMENTERIAN PERDAGANGAN DAN  
PERINDUSTRIAN MALAYSIA  
BLOK 10, JALAN DUTA,  
KUALA LUMPUR

Telefon: 940033, 946022, 948044

Telegram: DAGANG KUALA LUMPUR

Tel. Faks

Ref. No. BPA(TK)Y.5:2:6/

Tarikh: 13 May, 1988.

H.E. Manfred G. Von Nostritz,  
High Commissioner of Canada,  
Canadian High Commission,  
7th Floor, Plaza MBF,  
Jalan Ampang,  
50450 KUALA LUMPUR.

Excellency,

20 MAY 1988			
Rec'd	In'o	Act.	Sig
1			
2			
3			
4			
5			
A			
B			
C			
File	NC 45-1		
B/F			
Rep.			

I have the honour to acknowledge receipt of your letter ref. NC 45-1 dated 5th May 1988 regarding an amendment to the bilateral textile agreement between our two countries which read as follows:-

"I wish to refer to the Agreed Record of Discussions signed by representatives of Canada and Malaysia in Kuala Lumpur on January 21, 1988 relating to the export from Malaysia of winter outerwear, jackets and rainwear, for imports into Canada.

The Canadian authorities wish to confirm acceptance of the provisions contained in the Agreed Record and propose that this letter, together with the reply from the Malaysian authorities confirming acceptance by their Government, give effect to the arrangement outlined in the Agreed Record.

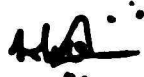
Please accept, Datuk, the assurances of my highest consideration".

2. I have further the honour to confirm<sup>S</sup> the acceptance of the provisions contained in the Agreed Record dated 21st January 1988 by the Malaysian authorities and your

Excellency's letter and ~~this~~ reply shall constitute an amendment to bilateral textile agreement between our two countries.

3. Accept, Excellency, the renewed assurances of my highest consideration.

Yours sincerely,



(DATO' AHMAD SARJI BIN ABDUL HAMID)  
Secretary-General,  
Ministry of Trade and Industry,  
Malaysia.

c.c. Secretary-General,  
Ministry of Foreign Affairs,  
(Economic Division),  
Wisma Putra,  
Kuala Lumpur.

P/a82 (surat)