

# GENERAL AGREEMENT ON

CONFIDENTIAL

## TARIFFS AND TRADE

TEX.SB/1534\*  
12 January 1989

Textiles Surveillance Body

### ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

#### Notification under Article 3:6

##### Canada/Brazil

##### Note by the Chairman

Attached is a notification received from Canada requesting Brazil for immediate cooperation under Article 3:6 with respect to imports of bedsheets and pillowcases for a sixty-day period beginning 5 January 1989. Also attached is a copy of an earlier communication made by Canada under Article 3.8.<sup>1</sup>

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<sup>1</sup>The products were subject to unilateral measures under Article 3.5, and examined by the TSB in June 1988 (see COM.TEX/SB/1407; see also COM.TEX/SB/1418 and 1421).

\* English only/Anglais seulement/Inglés solamente

TS/140-3

The Permanent Mission of Canada  
to the United Nations



776.  
La Mission Permanente du Canada  
auprès des Nations Unies

Rue de Pré-de-la-  
Bichette, 1  
1202 Genève

37-10-3-3-LATAM

December 23, 1988

H.E. Mr. Marcelo Raffaelli  
Chairman  
Textiles Surveillance Body  
General Agreement on Tariffs and Trade  
Centre William Rappard  
Rue de Lausanne, 154  
1211 Genève  
Suisse

Dear Ambassador Raffaelli:

Attached is a copy of the substantive <sup>see 715</sup> portion  
of a Canadian diplomatic note delivered yesterday in  
Brasilia concerning a proposed *ad referendum* agreement  
on textile trade between Canada and Brazil. It responds  
to a Brazilian diplomatic note dated 9 December 1988  
through which the Brazilian authorities rejected the  
proposed agreement.

Yours sincerely,

  
John F. Donaghy  
Counsellor

This note was delivered to me,  
personally, on 23/12/88.

*Raffaelli*

11458/1534
10 JAN 1989

22 DECEMBER 1988 CANADIAN DIPLOMATIC NOTE TO BRAZILIAN AUTHORITIES

... and has the honour to refer to the Ministry's Note of 09 December 1988 regarding the proposed Ad Referendum Agreement on textile trade between Canada and Brazil.

The Canadian authorities wish to express their regret and disappointment that the Brazilian authorities have rejected this agreement, which had proved so difficult to negotiate. The Ad Referendum Agreement accommodated the legitimate interests of both parties. It would have provided stable and predictable conditions for trade in bedsheets, pillowcases and cotton terry towels between Brazil and Canada for the next 3 years.

The Canadian authorities wish to remind Brazilian authorities that the text of the 21 September 1988 Exchange of Letters specifically provided that the elements contained therein would be incorporated into a standard Canadian agreement. The Canadian authorities are disturbed by the assertion in Brazil's Note to the effect that "The Brazilian representatives in Geneva had received guarantees from the Canadian side that clauses... (regarding the spacing of exports and the concentration of exports) would not be part of the bilateral agreement to be made between the two governments". No such guarantee was given by the Canadian side, nor could one have been inferred. Such clauses were included in the Agreement that governed trade in textiles between Brazil and Canada from 1983 to 1986, and which was extended to 31 December 1987; namely Paragraph 7 (Issuing of Export Licenses), Paragraph 9 (Spacing) and Paragraph 10 (Consultations in the case of Export Concentration). Moreover, Brazilian authorities have accepted similar provisions in their current bilateral textiles agreements with the United States and the European Community.

Canadian authorities wish to advise the Brazilian authorities that the situation faced by Canadian manufacturers of bedsheets and pillowcases has continued to deteriorate since the Textiles Surveillance Body determined on 21 June 1988 that the industry was facing market disruption. Based on current domestic shipments and shipment schedules until the end of 1988, net domestic shipments declined by 8.9 per cent in 1988, compared to 1987 (5.7 million units in 1988 compared to 6.3 million units in 1987). During the same period, based on entries to 16 December 1988 and projections based on permit applications for the remainder of 1988, imports increased by 26 per cent (8.3 million units in 1988 compared to 6.6 million in 1987). As a result, the share of the apparent Canadian market for bedsheets supplied by Canadian manufacturers has declined from 49 per cent in 1987 to 41 per cent in 1988.

In the case of pillowcases, the situation is very similar. Domestic shipments have declined by 13 per cent in 1988

compared to 1987 (4.0 million units in 1988 compared to 4.65 million units in 1987) while imports have increased by 19 per cent (7.6 million units in 1988 compared to 6.4 million units in 1987). As a result the share of the apparent Canadian market for pillowcases supplied by Canadian manufacturers has declined from 42 per cent in 1987 to 35 per cent in 1988.

Employment in the bedsheet and pillowcase industry has continued to decline in 1988. At the end of 1987 employment stood at 1,425. In 1988, employment declined by 23 per cent and currently stands at 1,093. Capacity utilization has fallen from 66 per cent in 1987 to 60 per cent in 1988.

The average price of bedsheet and pillowcase sets sourced in Brazil is Cdn. \$9.60. This compares to a price of Cdn. \$15.50 for domestically produced sets.

Imports from Brazil have been restrained as provided for under Article 3.5 of the MFA since 05 January 1988 at a level of 1,170,000 units each. As of 20 December 1988 imports from Brazil had reached 1,098,000 units of bedsheets and 893,000 units of pillowcases. The attached Tables provide further information on these imports and on the deteriorating position of the Canadian industry. Brazilian exporters decided to ship the bulk of these products in the early part of the year with the results that there have been no imports of these products since June 1988. In this regard, Canadian authorities wish to point out that import allocations covering the totality of the quotas were issued to eligible Canadian importers on 25 May 1988. Canadian importers have been unable to secure the necessary export authorization from the Brazilian authorities (CACEX) for the unutilized portions of the quotas.

We understand from discussions with Canadian importers that orders have been or are being placed with Brazilian producers for substantial quantities of bedsheets and pillowcases for import into Canada in 1989. These levels are expected to significantly exceed the level of 1988 shipments. Canadian authorities, therefore, are concerned about the disruptive impact on the market of this imminent increase in imports. Article 3.8 of the Agreement Regarding International Trade in Textiles provides for the extension of unilateral restraint measures taken under Article 3. In view of the disruption that continues to prevail in the Canadian market, Canadian authorities therefore propose that the unilateral restraints in effect on bedsheets and pillowcases, which are due to expire 04 January 1989, be extended for a further 12 month period at current levels plus 6 per cent growth that is, 1,240,200 units each of bedsheets and pillowcases. Canadian authorities would appreciate confirmation that this proposal is acceptable to Brazilian authorities, and would appreciate a response to this Note by 03 January 1989. Moreover Canadian authorities wish to express their readiness to engage in consultations as soon as possible with a view to reaching a mutually-acceptable solution to this issue.

## MFA TABLE

SOURCE: BRAZIL

PRODUCT: BEDSHEETS

(UNITS)

	ENTRIES	12 MONTH TOTAL	YEAR-TO-DATE
1987			
JANUARY	14,294	14,294	14,294
FEBRUARY	19,438	33,732	33,732
MARCH	0	33,732	33,732
APRIL	129,132	162,864	162,864
MAY	172,292	335,156	335,156
JUNE	85,056	420,212	420,212
JULY	191,150	611,362	611,362
AUGUST	157,462	768,824	768,824
SEPTEMBER	78,510	847,334	847,334
OCTOBER	154,788	1,002,122	1,002,122
NOVEMBER	262,680	1,264,802	1,264,802
DECEMBER	0	1,264,802	1,264,802

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SOURCE: BRAZIL

PRODUCT: BEDSHEETS

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	ENTRIES	12 MONTH TOTAL	YEAR-TO-DATE
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MAY	43,774	1,780,316	850,670
JUNE	247,540	1,942,800	1,098,210
JULY	0	1,751,650	1,098,210
AUGUST	0	1,594,188	1,098,210
SEPTEMBER	0	1,515,678	1,098,210
OCTOBER	0	1,360,890	1,098,210
NOVEMBER	0	1,098,210	1,098,210
DECEMBER	0	1,098,210	1,098,210

## MFA TABLE

SOURCE: BRAZIL

PRODUCT: PILLOWCASES

(UNITS)

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JULY	162,796	513,112	513,112
AUGUST	130,426	643,538	643,538
SEPTEMBER	66,941	710,479	710,479
OCTOBER	119,652	830,131	830,131
NOVEMBER	219,451	1,049,582	1,049,582
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JUNE	205,942	1,592,440	893,174
JULY	0	1,429,644	893,174
AUGUST	0	1,299,218	893,174
SEPTEMBER	0	1,232,277	893,174
OCTOBER	0	1,112,625	893,174
NOVEMBER	0	893,174	893,174
DECEMBER	0	893,174	893,174



APPARENT CANADIAN MARKET

PILLOWCASES ('000 UNITS)

	1984	1985	1986	1987	1988 (EST)
DOMESTIC SHIPMENTS	7572	6900	5604	4650	4032
IMPORTS	3143	3709	6642	6365	7600
APPARENT CANADIAN MARKET	10715	10608	12246	11015	11632
PERCENT DOMESTIC	71	65	46	42	35
PERCENT IMPORTS	29	35	54	58	65

APPARENT CANADIAN MARKET

BEDSHEETS ('000 UNITS)

	1984	1985	1986	1987	1988 (EST)
DOMESTIC SHIPMENTS	9492	9000	7620	6300	5736
IMPORTS	3240	3324	6328	6587	8300
APPARENT CANADIAN MARKET	12732	12324	13948	12887	14036
PERCENT DOMESTIC	75	73	55	49	41
PERCENT IMPORTS	25	27	45	51	59

TS/140-3

The Permanent Mission of Canada  
to the United Nations



775  
La Mission Permanente du Canada  
auprès des Nations Unies

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

37-10-3-3-LATAM

January 5, 1989

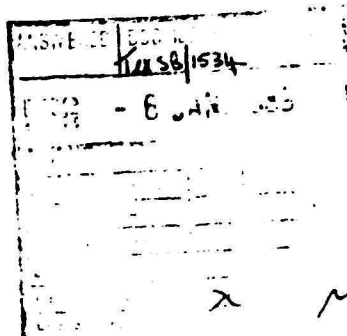
H.E. Mr. Marcelo Raffaelli  
Chairman  
Textiles Surveillance Body  
General Agreement on Tariffs and Trade  
Centre William Rappard  
Rue de Lausanne, 154  
1211 Genève  
SUISSE

Dear Ambassador Raffaelli:

776  
Further to my letter of 22 December 1988,  
attached is a copy of a Diplomatic Note delivered today by  
the Canadian Embassy in Brasilia, through which the  
Canadian authorities request, pursuant to MFA Article 3.6,  
immediate Brazilian cooperation to avoid damage, impossible  
to repair, being done to the Canadian bedsheet and  
pillowcase industry. Included with this enclosure is a  
series of tables setting out 1987 and 1988 Canadian imports  
of bedsheets and pillowcases from Brazil, as well as the  
1984 through 1988 (est.) apparent Canadian market for these  
products.

Yours sincerely,

John F. Donaghy  
Counsellor



TEXT OF CANADIAN DIPLOMATIC NOTE DELIVERED IN BRASILIA,  
5 JANUARY 1989

... and has the honour to refer to its Note of 22 December 1988, regarding Brazil's rejection of the proposed ad referendum Agreement on textile trade between Canada and Brazil. In its Note, the Embassy sought the agreement of the Brazilian authorities to the extension of restraints on bedsheets and pillowcases for a further 12 months. Canadian authorities regret that it has not proven possible for Brazilian authorities to agree to this proposal.

The Textiles Surveillance Body, in its decision of 21 June 1988 determined that market disruption had been demonstrated for both bedsheets and pillowcases and that unilateral restraints imposed by Canada were justified. These restraints are due to expire on 04 January 1989. We understand that Brazilian exporters are prepared to export to Canada significant quantities of the subject products and that orders have been or are being placed with Brazilian exporters for quantities which are expected to significantly exceed the level of 1988 shipments. This imminent sharp and substantial increase in imports of bedsheets and pillowcases will exacerbate the disruption that already exists in this sector in Canada. Given the gravity of the situation in the industry and in the absence of agreement to extend the previous restraint, Canadian authorities feel compelled to invoke Article 3.3 of the MFA and seek early consultations to preclude further market disruption in this sector.

The situation faced by Canadian manufacturers of bedsheets and pillowcases has continued to deteriorate since the Textile Surveillance Body determined that the industry was facing market disruption. Net domestic shipments declined by 8.9 per cent in 1988, compared to 1987 (5.7 million units in 1988 compared to 6.3 million units in 1987). During the same period, imports increased by 26 per cent (8.3 million units in 1988 compared to 6.6 million units in 1987). As a result, the share of the apparent Canadian market for bedsheets supplied by Canadian manufacturers has declined from 49 per cent in 1987 to 41 per cent in 1988.

In the case of pillowcases, the situation is very similar. Domestic shipments have declined by 13 per cent in 1988 compared to 1987 (4.0 million units in 1988 compared to 4.65 million units in 1987), while imports have increased by 19 per cent (7.6 million units in 1988 compared to 6.4 million units in 1987). As a result, the share of the apparent Canadian market for pillowcases supplied by Canadian manufacturers has declined from 42 per cent in 1987 to 35 per cent in 1988.

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The average price of bedsheet and pillowcase sets sourced in Brazil is Cdn. \$9.60. This compares to a price of Cdn. \$15.50 for domestically produced sets.

Imports from Brazil have been restrained as provided for under Article 3.5 of the MFA since 05 January 1988 at a level of 1,170,000 units each. As of 20 December 1988 imports from Brazil had reached 1,098,000 units of bedsheets and 893,000 units of pillowcases. The attached tables provide further information on these imports and on the deteriorating position of the Canadian industry. Brazilian exporters decided to ship the bulk of these products in the early part of the year, with the result that there have been no imports of these products since June 1988. In this regard, Canadian authorities wish to point out that import allocations covering the totality of the quotas were issued to eligible Canadian importers on 25 May 1988. Canadian importers have been unable until late in 1988 to secure the necessary export authorization from the Brazilian authorities (CACEX) for the unutilized portions of the quotas.

Canadian authorities understand that Brazilian exporters are planning to ship approximately 800,000 bedsheets to Canada almost immediately upon the expiry of the restraints on 05 January 1989. Shipments of such magnitude would cause serious market disruption in Canada, leading possibly to significant lay-offs and closures of the remaining bedsheet and pillowcase weaving and finishing operations. Such damage would be impossible to repair. Consequently, as provided in Article 3.6, Canadian authorities request Brazil's immediate cooperation, on a

bilateral emergency basis, to avoid such damage. Canadian authorities would propose that imports from Brazil of bedsheets and pillowcases be restricted during the 60-day period beginning 05 January 1989 at 200,000 units each per month which, on an annualized basis, is considerably above the levels called for in Annex B which, in this case, would be 1.240 million units. Canadian authorities would appreciate Brazilian authorities' response to this proposal by 12 January 1989 to allow timely advice to the trade and, to the extent possible, to avoid undue hardship for the importers and exporters concerned.

Given the gravity of the situation, the Canadian authorities propose that consultations take place in Ottawa during the week of 16 January with a view of resolving this issue.

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