

GENERAL AGREEMENT ON

CONFIDENTIAL

TARIFFS AND TRADE

TEX.SB/1535*

16 January 1989

Textiles Surveillance Body

ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Notification under Article 4

Amendment of the bilateral agreement between Canada and China

Note by the Chairman

Attached is a communication received from Canada of an amendment of its bilateral agreement with China. Restraints on fine suits, sports coats and blazers were agreed for the period 1 January 1988 to 31 December 1991.¹

¹The bilateral agreement between the parties is contained in COM.TEX/SB/1390.

*English only/Anglais seulement/Inglés solamente

TS 1140-4

The Permanent Mission of Canada
to the United Nations



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La Mission Permanente du Canada
auprès des Nations Unies

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

ANSWERED	100.00.00
4458/1535	
12 JAN 1989	

January 11, 1989

79.

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 January 1, 1988 the restraint coverage of the Memorandum of Understanding (MOU) between the Government of Canada and the Government of the People's Republic of China relating to the export from China of certain textiles and textile products for import into Canada has been amended to include men's and boys' fine suits, sportscoats and blazers wholly or mainly by weight of cotton, wool, manmade fibres or blends thereof (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 China as an established supplier to that market. The level applicable to exports of fine suits, sportscoats and blazers from China for import into Canada was established taking into consideration historical trading patterns and provisions contained in Article 4 of the MFA and its Protocol of Extension.

Imports of fine suits, sportscoats and blazers from China rose from 19,069 units in 1986 to 55,143 units in 1987 and to 61,084 units in the 12 months prior to the June 1988 request for consultations. During 1987, they exceeded restraint levels in place with 10 other major lowcost suppliers. Overall, imports of Chinese fine suits, sportscoats and blazers during 1987 exceeded import levels of all but four suppliers to the Canadian market. These imports have had a major impact on Canadian manufacturers. The share of the Canadian market for fine suits, sportscoats and blazers held by Canadian producers fell from 86 per cent in 1983 to 75 per cent in 1987, a drop of 11 percentage points. At the same time, in 1987 alone, there has been a 6 per cent decrease in employment, primarily due to closure of 4 plants. Other firms are also experiencing difficulties with profits projected to decline in 1988 and with overall capacity utilization for this sector at about 85 per cent. The very competitive price of Chinese-origin suits is exacerbating the disruptive impact upon domestic Canadian manufacturers of fine suits. The average price in 1987 for fine suits, sportscoats and blazers in 1987 imported from China was \$27.69 compared to \$120 to \$400 for similar products of Canadian domestic production and \$30.68 for all low-cost sources.

The Government of Canada considers that this arrangement conforms with the provisions of the MFA and with its Protocol of Extension and, as such, in keeping with the gradual liberalization of the Canadian import regime on textiles and clothing.

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

Yours sincerely,



J. Gero
Counsellor

Canadian Embassy



NC 45-3

Ambassade du Canada

10 San Li Tun Road
Chao Yang District
Beijing, P.R.C.

September 20th, 1988

HAND DELIVERED

Mr. Li Guodong
Director
Foreign Trade Administration
Ministry of Foreign Economic
Relations and Trade
Beijing, P.R.C.

Dear Mr. Li,

Re: Canada/China Textile Restraint Agreement:
Memorandum of Understanding (MOU)

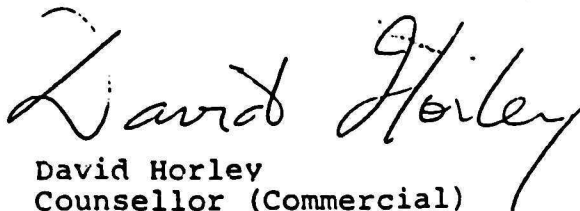
Further to the meetings held in Ottawa, Canada from July 19th to July 21st, 1988 between Canadian and Chinese officials, the Government of Canada confirms its acceptance of the provisions in the Agreed Record of July 21st, 1988, concerning the export to Canada of fine suits, sportscoats and blazers originating in the People's Republic of China. In accordance with the final paragraph of the Agreed Record, it is proposed that this letter, together with the reply from the Chinese authorities confirming acceptance by their Government, give effect to this Agreement.

We look forward to receiving your letter at your earliest convenience Mr. Li.

Should you have any questions, please do not hesitate to contact our office.

Your co-operation is greatly appreciated.

Yours sincerely,


David Horley
Counsellor (Commercial)

中华人民共和国对外经济贸易部

MINISTRY OF FOREIGN ECONOMIC RELATIONS AND TRADE OF THE
PEOPLE'S REPUBLIC OF CHINA

→ LR
Mr. David Horley
Counsellor (commercial)
Canadian Embassy
Beijing

October 4, 1988

Dear Mr. Horley,

I have the honour to refer to your letter of September 20, 1988 concerning China's exports to Canada of fine suits, sportscoats and blazers. I wish to confirm our acceptance of the provisions in the Agreed Record of July 21, 1988, relating to this matter. Therefore, your letter and this letter of confirmation shall give effect to this Agreement.

Sincerely,



Li Guodong
Deputy Director
Foreign Trade Administration
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AGREED RECORD

1. Discussions were held July 19-21, 1988, in Ottawa between representatives of the Government of Canada and the Government of the People's Republic of China relating to the administration of the bilateral textile and clothing arrangement between the two countries (MOU) and with respect to the export to Canada of men's and boys' fine suits, sportscoats and blazers from China.

2. During the administration discussions, both sides acknowledged the need for improvements in the Export Licence Reporting System established pursuant to the Agreed Record of the discussions held in China October 5-9, 1987:

A. The two sides agreed to begin direct data transfer as early as possible through the use of electronic communication between the Shanghai Foreign Economic Relations and Trade Commission and STRB. This electronic link would be established upon successful testing of the Canada/China network.

B. Both sides discussed the matter of Chinese shipments to Canada of clothing and textile products in excess of the amounts allowed under the bilateral Memorandum of Understanding. The Canadian side noted that for the 1987 quota year the Chinese authorities had made considerable progress in reducing this problem. However, it was stressed by the Canadian side that it was no longer in a position to accommodate overshipments in the future.

3. With respect to the negotiations on men's and boys' fine suits, sportscoats and blazers, it was agreed that, having regard to Article 4 of the Arrangement Regarding International Trade in Textiles (MFA), exports from China to Canada of these products shall be subject to restraint effective from January 1, 1988 and for the term of the MOU ending on December 31, 1991.

4. It was further agreed that during the period January 1, 1988 to December 31, 1988, total exports of fine suits, sportscoats and blazers shall not exceed 108,000 units, and that the provisions for annual growth, swing, carry-over and carry-forward and conversion factor indicated in Columns (C) through (G) of the attached Appendix will apply. The products covered are those which are identified as Item 11 of the MOU and are defined in paragraph 11 of Annex II of the MOU constructed wholly or mainly (i.e. 50% or more) by weight of cotton, wool, man-made fibres, and blends thereof.

5. This Agreed Record of Discussions and Appendix shall be considered as an Annex to the MOU and forms an integral part of the MOU.

6. The two delegations noted that the agreement on restraint of shipments of fine suits, sportscoats and blazers was on an ad referendum basis subject to confirmation by their Governments through an exchange of letters indicating acceptance.

OTTAWA, July 21, 1988



For the Government of Canada



For the Government of the
Peoples Republic of China

APPENDIX

RESTRAINT LEVELS

(A) <u>ITEM NO.</u>	(B) <u>PRODUCT DESCRIPTION</u>	(C) <u>GROWTH</u>	(D) <u>SWING</u>	(E) <u>CARRY-OVER/ BORROW-FORWARD</u>	(F) <u>COMBINED FLEX D & E</u>	(G) <u>CONVERSION FACTOR M² /UNIT</u>
11	Fine Suits, Sportscoats and Blazers	6%	5%	10%/5%	12%	3.8