

GENERAL AGREEMENT ON

CONFIDENTIAL

TEX.SB/1697*

16 November 1990

TARIFFS AND TRADE

Textiles Surveillance Body

ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Notification under Article 4:4

Bilateral agreement between Canada and Brazil

Note by the Chairman

Attached is a notification received from Canada of a bilateral agreement concluded with Brazil for the period 1 January 1990 to 31 December 1991. The agreement includes two products which had been subject to restraint under Article 3:5.

* English only/Anglais seulement/Inglés solamente

The Permanent Mission of Canada
to the United Nations



La Mission Permanente du Canada
auprès des Nations Unies

1025

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

November 8, 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 (hereafter referred to as the MFA), done at Geneva on December 20, 1973, and to the Protocol extending the MFA done at Geneva, July 31, 1986, I have the honour to notify you that a new restraint arrangement has been concluded between the Government of Canada and the Government of the Federative Republic of Brazil relating to the export from Brazil of certain textiles and textile products for import into Canada, effective from January 1, 1990, to December 31, 1991, which covers bedsheets, pillowcases and cotton terry towels, washcloths and sets (see attached).

The arrangement takes into account circumstances facing the Canadian market in regard to the items covered by the arrangement, and the position of Brazil as an established supplier to that market. It also provides for improved Brazilian access to the Canadian textiles and clothing market, and was established taking into consideration historical trading patterns and other provisions contained in Article 4 of the MFA, and its Protocol of Extension.

Bedsheets:

The share of the Canadian domestic market for bedsheets held by Canadian producers declined from 79% in 1983 to 49% in 1987, a drop of 30 percentage points. At the same time, employment in the Canadian bedsheets and pillowcases industry declined from 2,380 workers in 1983 to 1,600 workers by the end of 1986, a loss of 780 jobs. In 1987, a further 250 jobs were lost. In 1988, employment fell an additional 23% from 1987 levels.

Total imports of bedsheets increased by 53% 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 bedsheets from Brazil rose from 477,000 units in 1985 to 1.1 million units in 1988, representing an increase of 130%. Imports from restrained sources rose from 814,000 units in 1985 to 6.8 million in 1988, an increase of over 800%. During the corresponding period the Canadian market had only grown by 15.5%

Net domestic shipments of bedsheets declined by 8.9% in 1988, compared to 1987 (5.7 million units in 1988 compared to 6.3 million units in 1987). Since, during the same period, total imports increased by 26% (8.3 million units in 1988 compared to 6.6 million units in 1987), the share of the apparent Canadian market for bedsheets supplied by Canadian manufacturers declined from 49% in 1987 to 40% in 1988.

Pillowcases:

The situation was similar for pillowcases. Domestic shipments had declined from 8.67 million units in 1983 to 4.65 million units in 1987, a drop of 47% in four years. Shipments declined by a further 13% in 1988, (4.0 million units in 1988 compared to 4.65 million units in 1987). Imports, on the other hand, had risen to 7.6 million units in 1988, (a 19% increase) compared to 6.4 million units in 1987, from a level of 3.4 million units in 1983. As a result the share of the apparent Canadian market for pillowcases supplied by Canadian manufacturers declined from 42% in 1987 to 34% in 1988.

There was also a sharp and substantial increase in imports into Canada of pillowcases from Brazil. From negligible levels in 1983, they increased to 88,000 units in 1984, more than tripled to 285,000 units in 1985, doubled again to 618,000 units in 1986, and reached 1,050,000 units in 1987. Imports from restrained sources rose steadily from 1.7 million units in 1983, to 6.6 million units in 1988, an increase of over 300%.

The average price of bedsheets and pillowcase sets, sourced in Brazil, in 1987 was \$9.60. This compared to a price of \$15.50, for domestically produced sets, at a comparable stage of commercial transaction.

Cotton Terry Towels, Washcloths and Sets:

Domestic production of cotton terry towels had fluctuated from a low of 4.0 million kgs in 1982 (59% of the apparent Canadian market) to 5.1 million kgs in 1987 (51% of the apparent Canadian market). In 1988, domestic production declined by 8.7% to just under 4.7 million kgs, and was at its lowest level since 1984.

Imports of terry towels had risen from 2.7 million kgs in 1982, to 4.8 million kgs in 1987. In 1988, imports were nearly 6.3 million kgs, an increase of 32% compared to 1987.

Imports from Brazil of cotton terry towels, washcloths and sets increased from a level of only 36,000 kgs in 1982 to 635,000 kgs in 1987. In 1988, imports from Brazil totalled 794,000 kgs, an increase of 25% over 1987. Brazil's share of total imports was 13% or over 7% of the apparent Canadian market. By contrast, in 1988 imports from all restrained sources were 3.97 million kgs or 36% of the apparent Canadian market.

The warehouse door price per kg of cotton terry towels, imported from Brazil in 1987, was \$12.90. This compared to a price of \$15.60, for domestically produced towels, at a comparable stage of commercial transaction.

On September 22, 1989, Canadian and Brazilian negotiators met, and concluded in Geneva, an agreement under Article 4 of the MFA covering bedsheets, pillowcases and cotton terry towels, washcloths and sets.

The restraint level for bedsheets is 1,550,000 units in 1990, and 1,660,000 units in 1991. Restraint levels for pillowcases were set at 1,550,000 for 1990, rising to 1,660,000 in 1991. These levels correspond to a 1.07% growth rate in 1991.

Restraint levels for cotton terry towels, washcloths and sets were set at 1,100,000 kgs for 1990, rising to 1,166,000 in 1991, of which terry towels measuring less than 76 cm x 152 cm in size were restrained at a level of 725,000 kgs in 1990, rising to 777,000 kgs in 1991. The former, corresponds to a growth rate of 6% in 1991, and the latter to a growth rate of 7% in 1991.

All products have swing provisions of 5%, carry-over/ carry-forward provisions of 10/5%, and a combined flexibility of 12%.

The Government of Canada believes this arrangement to be in conformity with the provisions of the MFA and to its Protocol of Extension.

A copy of the Memorandum of Understanding is attached.

Yours sincerely,



John Gero

MEMORANDUM OF UNDERSTANDING
BETWEEN
THE GOVERNMENT OF CANADA
AND
THE GOVERNMENT OF THE FEDERATIVE REPUBLIC OF BRAZIL
RELATING TO THE EXPORT FROM BRAZIL
OF
CERTAIN TEXTILES AND TEXTILE PRODUCTS
FOR IMPORT INTO CANADA.

Memorandum of Understanding between the Government of Canada and the Government of the Federative Republic of Brazil relating to the export from Brazil of certain textiles and textile products for import into Canada.

Introduction

1. Delegations representing the Government of Canada and the Government of the Federative Republic of Brazil met to discuss an arrangement to govern trade in certain textiles and clothing products between Brazil and Canada in accordance with the provisions of the Arrangement regarding International Trade in Textiles (MFA), and in particular Article 4 thereof.

Coverage

2. It was agreed, during the meeting, that the Brazilian authorities will restrain the exports to Canada of bedsheets, pillowcases, and terry towels, washcloths and sets (as defined in Annex II).

Restraint Periods

3. The restraint will apply for the periods commencing in January 1, 1990 and ending on December 31, 1991.

Restraint Levels

4. The corresponding limits of restraint for each category is specified in Annex I.

Administration

5. These arrangements will be implemented on the basis of the export control system operated by the Government of the Federative Republic of Brazil.

6. The Government of Canada will admit imports of the textiles and textile products described in Annex II and subject to a specific quantitative limit in Annex I, provided such imports are covered by an original copy of a Brazilian "Export Licence" certified and issued by the proper authority (CACEX), to the effect that the imports covered by the licence have been debited to the applicable quantitative limit (restraint) as set out in Annex I.

7. For the purpose of implementing these arrangements, the date of export from the Federative Republic of Brazil will be used to determine within which restraint period any textiles or textile products will be counted.

8. The export licences issued by the Government of the Federative Republic of Brazil in respect of products covered by Annex I will contain the following information:

1. Country of destination,
2. Country of origin,
3. Licence number,
4. Importer's name and address,
5. Exporter's name and address,
6. Category number and description of product as set out in Annex I,
7. Quantity expressed in the units as designated in Annex I,
8. F.O.B. or C.I.F. value,
9. Certification by the proper authority (paragraph 6),
10. Restraint Period (year).

9. In the event any quantity covered by an export licence is not shipped, or any part of it is returned, regardless of the reason, the Government of the Federative Republic of Brazil will notify the Government of Canada of such quantities which may be credited by the Government of the Federative Republic of Brazil to the appropriate restraint level.

Swing

10. Subject to the specific limitations set out in Annex I, and following notification to the Canadian authorities, any restraint level may be exceeded by the percentage shown in column (E) of Annex I provided that an equivalent amount, through application of the conversion factors shown in column (H), is deducted from the other restraint level.

Carry-Over/Carry-Forward

11. Following notification to the Canadian authorities of the quantities involved, portions of any quantitative limit set out in Annex I that are not used during a restraint period may be carried over and added to the corresponding quantitative limit for the following restraint period. The restraint level for the latter restraint period will be increased within the higher percentage limit set out in column (F) of Annex I.

12. Following notification to the Canadian authorities of quantities involved, any restraint level may be increased within the lower percentage limit set out in column (F) of Annex I by an amount carried forward from the corresponding restraint level for the following restraint period. The restraint level for any such following restraint period will be reduced by an amount equal to the amount so carried.

13. No carry-over will be available for application in the first restraint period. No carry-forward will be available for application in the final restraint period.

14. Notwithstanding the foregoing, the carry-over/ carry-forward provisions may be used in combination only up to the higher percentage limit set out in column (F) of Annex I.

15. The restraint levels in column (D) of Annex I may not be increased by the combined use of swing, carry-over and carry-forward by more than the percentage indicated in column (G) of Annex I.

Re-exports

16. The Government of Canada will, so far as possible, inform the Government of the Federative Republic of Brazil when imports into Canada of textiles and textile products subject to restraint under Annex I are subsequently re-exported from Canada. Where such re-exports have been debited by the Government of the Federative Republic of Brazil to quantitative limits, the Government of the Federative Republic of Brazil may then credit the amount involved to the appropriate quantitative limits.

Spacing

17. The Government of the Federative Republic of Brazil shall use its best efforts to space exports to Canada, within each category evenly throughout the agreement period, taking into consideration normal seasonal factors.

Exchange of Statistics

18. Upon request either Government shall promptly supply the other Government with data on imports and exports of the products under restraint. Each Government agrees to supply promptly any other available statistical data necessary for the implementation of this agreement.

Equity

19. Should either Government consider, as a result of this MOU, that it is placed in an inequitable position compared with any third party, that Government may request the other to consult with a view to implementing appropriate remedial measures.

Consultations

20. Either Government has the right to request consultations with the other Government on any matter arising from the implementation or operation of these

arrangements. Such consultations will be governed by the following:

- Any request for consultations will be notified in writing to the other Government;
- The request for consultations will be accompanied by or followed within a reasonable period (and in any case not later than twenty-one days following the request) by a statement setting out the reasons and circumstances which, in the opinion of the requesting Government, justify the submission of such a request;
- The other Government will accept such a request and such consultations will be held within thirty days of the date of notification of the request;
- Both Governments will enter into consultations with a view to reaching a mutually acceptable conclusion within sixty-days of the date on which actual consultations commence.

21. Any consultations held under these provisions will be approached by both Governments in a spirit of cooperation and with a desire to reconcile the differences between them.

Transshipments

22. Both governments shall take action as are necessary to prevent circumvention of this Agreement, pursuant to Article 8 of the MFA and paragraph 16 of the 1986 Protocol of Extension to the MFA.

Revisions and Termination

23. Either Government may at any time propose revisions to the terms of this MOU having regard to the MFA and to the Protocol extending it.

24. Either Government may terminate this MOU effective at the end of any restraint period by written notice to the other Government to be given at least ninety days prior to the end of any restraint period.

Annexes

25. The Annexes to this MOU will be considered an integral part of it.

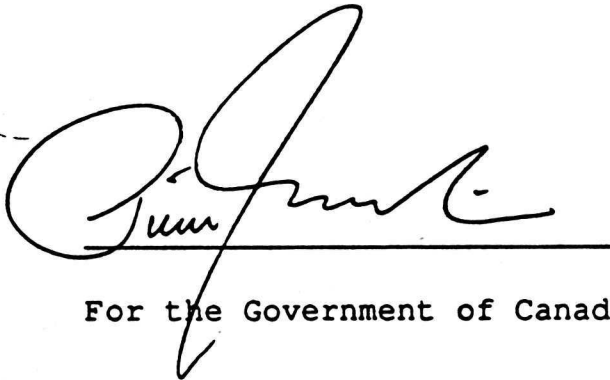
Transitional Arrangements

26. Any difficulties which may arise as a consequence of the transition to this MOU will be brought immediately to

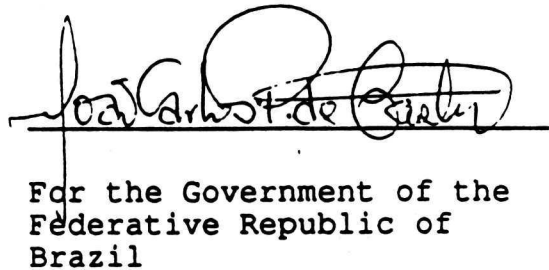
the attention of the one Government by the other Government and efforts will be made by both Governments, through consultations or other means, to resolve such difficulties to their mutual satisfaction.

Final Provisions

27. This MOU will become effective on January 1, 1990 subsequent to an exchange of letters between the two Governments confirming their acceptance of these arrangements.

A large, stylized handwritten signature in black ink, written over a horizontal line. The signature is cursive and appears to be "J. J. ...".

For the Government of Canada

A large, stylized handwritten signature in black ink, written over a horizontal line. The signature is cursive and appears to be "João Carlos de ...".

For the Government of the
Federative Republic of
Brazil

Geneva, September 22, 1989

Annex I: RESTRAINT LEVELS

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
Item No.	Short Description	Period	Restraint Levels	Swing (Percent)	Carryover/ Carry Forward (Percent)	Combined Flexibility (Percent)	Conversion Factors
1.	Bedsheets	Jan 5/90 to Dec 31/90 Jan 1/91 to Dec 31/91	1,550,000 units 1,660,000 units	5	10(5)	12	.5 kg/unit
2.	Pillowcases	Jan 5/90 to Dec 31/90 Jan 1/91 to Dec 31/91	1,550,000 units 1,660,000 units	5	10(5)	12	.2 kg/unit
3.	Cotton Terry Towels, Washcloths and Sets	Jan 1/90 to Dec 31/90 Jan 1/91 to Dec 31/91	1,100,000 Kgs 1,166,000 Kgs	5	10(5)	12	2.8 sq.m/unit
3A.	Of Which Terry Towels of less Than 30 X 60 inches in Size	Jan 1/90 to Dec 31/90 Jan 1/91 to Dec 31/91	725,000 Kgs 777,000 Kgs	5	10(5)	12	2.8 sq.m/unit

ANNEX II

Definitions and Description of Terms

Bedsheets, woven, made wholly or mainly by weight of cotton, man-made fibres or blends thereof including flannelette sheets.

Pillowcases, woven, made wholly or mainly by weight of cotton, man-made fibres or blends thereof.

Cotton terry towels, washcloths and sets containing 50 per cent or more by weight of cotton. Cotton terry towels, washclothes and sets are of fabrics woven on a terry loom using single or plied cotton (or blends thereof) yarns with loop pile on one or both sides covering the entire surface on either plain or patterned weave, whether greige, bleached dyed or printed, including tea, hand, beach and bath towels (bath/tub mats), bath sheets, beach blankets, barmops and towel blanks (hemmed white towels).

Cotton terry towels, washclothes and sets, other than beach towels, bath sheets and beach blankets. These items are as defined above but measure less than 30 inches x 60 inches (76 cm x 150 cm).