

**GENERAL AGREEMENT
ON TARIFFS AND TRADE**

CONFIDENTIAL
TEX.SB/2047*
2 March 1994

Textiles Surveillance Body

ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Notification under Article 3:4

Interim agreement between Canada and Costa Rica

Note by the Chairman

Attached is a notification received from Canada of an interim agreement concluded with Costa Rica for the period 1 December 1993 to 30 June 1994, with respect to exports of underwear from Costa Rica. This agreement superseded an Article 3:6 measure.¹

Also attached is the notification made by Canada under Article 3:3.

¹Notification of the Article 3:6 measure is contained in TEX.SB/2037.

*English only/Anglais seulement/Inglés solamente

7/40-3

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The Permanent Mission of Canada
to the United Nations *7-10-3-3-LATAM*



La Mission Permanente du Canada
auprès des Nations Unies

7-10-3-3-LATAM

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

UNCLASSIFIED

37-10-3-3-LATAM

February 21, 1994

Ambassador Marcelo Raffaelli
Chairman
Textiles Surveillance Body
General Agreement on tariffs and Trade
Centre William Rappard
154 rue de Lausanne
1211 Geneva

Dear Ambassador Raffaelli,

905

I writing to you further to my letter of November 11, 1993, concerning the imposition of temporary restrictions on imports of underwear from Costa Rica to Canada. I am pleased to inform you that Canada and Costa Rica have concluded an interim agreement, pursuant to Article 3:4 of the Arrangement Regarding International Trade in Textiles (MFA). This interim agreement provides that Costa Rica will limit its exports of underwear from Costa Rica to Canada from December 1, 1993 until June 30, 1994, to a level of 1,165,000 units.

The agreed 7-month restraint level of 1.165 million units represents an increase of over 29% above the 12-month level provided for in Annex B of the MFA. Since this is an interim measure, the agreed level is without prejudice to any further discussions between the two parties in this matter. Enclosed, please find copies of the Agreed Record of Discussions concluded between Canadian and Costa Rican negotiators and of an exchange of diplomatic Notes confirming the Agreed Record.

Yours sincerely,
Jean Saint-Jacques
Jean Saint-Jacques
Counsellor

DIPLOMATIC NOTE FROM THE CANADIAN EMBASSY, SAN JOSE

Canadian authorities wish to refer to the agreed record of discussions signed by representatives of Canada and Costa Rica in San Jose on December 17, 1993 regarding the establishment of an interim measure to restrain the volume of imports of underwear from Costa Rica into Canada for the period December 1, 1993 to June 30, 1994 to a limit of 1,165,000 units based on the date of shipment without prejudice to any further discussions.

The Canadian authorities wish to confirm their acceptance of the agreed record and propose that this note, together with the reply from the Costa Rican authorities confirming acceptance by their government, give effect to the agreement outlined in the agreed record.



REPUBLICA DE COSTA RICA
MINISTERIO DE RELACIONES EXTERIORES Y CULTO

PE/SRECI/098-94

El Ministerio de Relaciones Exteriores y Culto - Dirección General de Política Exterior - saluda muy atentamente a la Honorable Embajada de Canadá y tiene el honor de hacer aviso de recibo de su atenta Nota No.01 de fecha 4 de enero de 1994, mediante la cual se hace referencia a las conversaciones sostenidas el pasado 16 y 17 de diciembre sobre la categoría 9.0.

Este Ministerio informa a esa Honorable Embajada que, EL GOBIERNO DE COSTA RICA está de acuerdo con el establecimiento de la medida temporal para restringir nuestras exportaciones de ropa interior hacia dicho país, a un nivel de 1.165.000 unidades, para el período comprendido entre el 1 de diciembre de 1993 y el 30 de junio de 1994.

El Ministerio de Relaciones Exteriores y Culto - Dirección General de Política Exterior aprovecha la ocasión para renovar a la Honorable Embajada de Canadá las expresiones de la más alta y distinguida consideración.

San José, 08 de febrero de 1994

A LA HONORABLE
EMBAJADA DE CANADA
CIUDAD.-



Costa Rica - Canada Textile Products Consultations

Agreed Record of Discussions

1. Delegations representing the Government of the Republic of Costa Rica and the Government of Canada met on December 16 and 17, 1993, in San José, to discuss the export from Costa Rica of underwear (Category 9.C) for import into Canada.
2. The two delegations had detailed discussions on the June 1993 request for consultation on underwear from Costa Rica into Canada. No agreement was reached regarding this call for consultations.
3. However, both sides put forth proposals to reach a mutually agreed solution and each delegation agreed to pursue the discussions at a mutually convenient date in 1994.
4. They were able to reach agreement on the establishment of an interim measure to restrain the volume of imports of underwear originating in Costa Rica into Canada for the period December 1, 1993 to June 30, 1994 to a limit of 1,165,000 units based on the date of shipment without prejudice to any further discussions.
5. Delegations further agreed that in administering the interim measure Costa Rican authorities would issue export licences to accompany each shipment of underwear originating in Costa Rica for export to Canada.
6. The delegations agreed that their respective authorities would communicate to each others their responses to the ad referendum agreement at an early opportunity.



for the Government of
Republic of Costa Rica



for the Government of the
Canada

San José, Costa Rica
December 17, 1993

The Permanent Mission of Canada
to the United Nations



La Mission Permanente du Canada
auprès des Nations Unies

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

September 20, 1993

37-10-3-3-LATAM

Ambassador Marcelo Raffaelli
Chairman
Textiles Surveillance Body
General Agreement on Tariffs and Trade
154 rue de Lausanne
1211 Geneva

Dear Ambassador Raffaelli:

Attached, for your information, is a copy of a diplomatic note that was delivered on 30 June, 1993, to the Government of Costa Rica through the Canadian Embassy in San Jose. Unfortunately, through an oversight, a copy of this note had not apparently been forwarded to you.

In the note, the Canadian authorities proposed that consultations be held between the two governments, pursuant to Article 3 of the Arrangement Regarding International Trade in Textiles, with respect to the export of underwear from Costa Rica to Canada. Included with the note are tables containing supporting information.

Yours sincerely,


Jean Saint-Jacques
Counsellor

*Art 3 request
+ j.*

DIPLOMATIC NOTE FROM THE CANADIAN EMBASSY, SAN JOSE

The Canadian authorities wish to refer to the arrangement regarding International Trade in Textiles (MFA). Pursuant to Article 3/3 of the MFA the Canadian authorities hereby request consultations with Costa Rican authorities in respect to exports of underwear from Costa Rica to Canada.

There has been a sharp and substantial increase in imports of underwear from Costa Rica which is causing disruption in the Canadian market and is threatening to impede the orderly development of trade between Canada and Costa Rica.

Canadian manufacturers of underwear have experienced a significant decline in domestic shipments as a result of increased import competition. Domestic shipments fell from 78.8 million units in 1990 to 64.1 million units in 1991, a decline of 18.6 percent. In 1992, domestic shipments declined again by 8 percent to an estimated 59 million units. The decline in domestic shipments during the 1990-1992 period amounted to 19.8 million units, an amount equal to 25 percent of the 1990 shipment level.

Imports of underwear increased by 29 percent between 1990 and 1992, from 37 to 47 million units. During the first 5 months of 1993, imports reached 26.37 million units, equal to almost 55 percent of the level of imports for all of 1992. As a result of the faster growth of imports over domestic shipments, the share of the Canadian market held by Canadian manufacturers declined from 68 percent in 1990 to an estimated 55 percent in 1992. This represents the lowest domestic market share to date for this sector.

From a level of 172,861 units in 1990, imports of underwear from Costa Rica rose to 744,171 units in 1992. The surge in imports of underwear from Costa Rica between 1990 to 1992 represents an increase in volume of approximately 331 percent over a 2 year time span. Shipments of underwear from Costa Rica to Canada have continued to surge in 1993 reaching a level of 1,221,646 million units for the first 4 months of this year, an increase of 64 percent over the entire level shipped in 1992. As a result of this significant and continued surge, Costa Rica has emerged over the twelve-month period ending March 1993 as the third largest unrestrained low-cost supplier of underwear to Canada. Imports of underwear from Costa Rica currently exceed 15 restraint levels Canada has in place on imports of underwear from other exporting countries.

The low prices at which underwear from Costa Rica is offered in the Canadian market also contributes to the market disruption being caused in this sector. The average FOB import price of underwear sourced in Costa Rica in 1992 was dlrs Cdn

0.84 per piece, compared with an average price of underwear imported from all countries of dlrs Cdn 1.16 per unit. The warehouse price for underwear from Costa Rica is equivalent to only 53 percent of the price of Canadian made underwear.

The loss of sales to low-cost imports has severely affected the Canadian industry, leading to reduced capacity utilization, lay offs and plant closures. Two plants were forced to cease operations in 1992, leading to the loss of 300 permanent jobs. The remaining plants are operating at 70 percent capacity. Competition from low-cost imports has also prevented Canadian manufacturers from increasing prices to reflect higher costs, thereby severely depleting the earnings of Canadian underwear manufacturers.

The attached annexes provide further details regarding imports of underwear from Costa Rica, in particular for the 12 month period ending in March 1993, which is the reference period referred to in Annex B of the MFA. Also included is data on the evolution of the apparent Canadian market for underwear for the period 1990 to 1992.

In light of the disruptive situation facing Canadian manufacturers as a result of these imports, Canadian authorities propose consultations at a mutually convenient date and locale.

CATEGORY 9.0**UNDERWEAR (MEWGC)****APPARENT CANADIAN MARKET**

('000)			
YEAR	1990	1991	1992
DOMESTIC SHIPMENTS	78,792	64,132 (e)	59,000 (p)
IMPORTS	37,056	41,235	47,853
APPARENT CANADIAN MARKET	115,848	105,367 (e)	106,853 (p)

MARKET SHARE

MARKET SHARE	PERCENTAGE OF ACM		
	1990	1991	1992
DOMESTIC PRODUCERS	68.0	60.9	55.2
IMPORTERS	32.0	39.1	44.8

(e) estimate

(p) preliminary

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MFA TABLE

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SOURCE: COSTA RICA

PRODUCT: UNDERWEAR - HWSGT

	SHIPMENTS	12 MO TOT	Y-T-D	ENTRIES	12 MO TOT	Y-T-D
1990						
JANUARY	0		0	0		0
FEBRUARY	0		0	0		0
MARCH	33		33	0		0
APRIL	9,154		9,157	9,157		9,157
MAY	7,236		16,423	7,236		16,423
JUNE	0		16,423	0		16,423
JULY	2,172		18,595	0		16,423
AUGUST	0		18,595	2,172		18,595
SEPTEMBER	2,099		20,694	1		18,596
OCTOBER	3,512		24,206	4,288		22,884
NOVEMBER	2,207		26,413	3,529		26,413
DECEMBER	146,448	172,861	172,861	146,448	172,861	172,861
1991						
JANUARY	2,767	175,638	2,767	0	172,861	0
FEBRUARY	27,284	202,912	30,051	25,332	198,413	25,332
MARCH	68,893	268,772	95,944	70,392	268,805	95,944
APRIL	41,348	301,166	137,492	4,990	264,605	100,934
MAY	60,222	354,152	197,714	90,444	347,816	191,578
JUNE	53,187	407,339	250,901	44,894	394,710	238,272
JULY	6,939	412,106	257,840	10,073	404,783	248,343
AUGUST	8,587	420,693	266,427	11,650	414,261	259,995
SEPTEMBER	84	418,678	266,511	4,516	420,776	266,511
OCTOBER	21,489	436,655	288,000	3,439	419,927	269,950
NOVEMBER	69,104	503,552	357,104	83,791	500,189	333,741
DECEMBER	13,031	370,133	370,133	11,889	368,624	368,624
1992						
JANUARY	114,330	481,718	114,330	116,848	482,469	116,848
FEBRUARY	3,348	440,002	119,918	7,480	444,405	124,333
MARCH	42,610	436,719	162,328	42,706	436,719	167,039
APRIL	106,332	501,503	268,860	61,348	493,277	228,587
MAY	16,216	457,497	288,076	61,000	443,833	289,587
JUNE	4,140	408,450	289,216	4,140	421,079	293,727
JULY	18,756	420,267	307,972	18,432	429,438	312,159
AUGUST	29,054	440,736	337,028	890	418,678	313,040
SEPTEMBER	20,242	460,894	357,270	36,934	449,086	349,973
OCTOBER	111,236	550,641	448,306	108,860	534,507	458,833
NOVEMBER	94,622	576,159	563,128	107,346	578,082	564,199
DECEMBER	176,532	739,660	739,660	177,972	744,171	744,171
1993						
JANUARY	190,071	823,381	190,071	190,681	818,007	190,681
FEBRUARY	250,034	1,067,849	448,107	249,844	1,060,345	448,325
MARCH	623,782	1,649,021	1,071,889	321,638	1,539,299	942,163
APRIL	28,619	1,571,308	1,100,508	96,155	1,573,902	1,038,318
MAY	127,760	1,682,852	1,228,268	163,328	1,676,230	1,221,644
JUNE	216,691	1,899,403	1,444,939	234,179	1,896,269	1,443,828

1990-1992: STES CODES: 45101 - 45104

1993: HS CODES 9.0 - 9.9

REPORT DATE: JUNE 08, 1993

FILENAME: CRAS

NON U.S.

E IMPORT TABLE BY PRODUCT -- CLOTHING
 REPORT PERIOD: JANUARY 1 TO DECEMBER 31, 1992

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Compiled on 06/24/93

Page No. 1

PRODUCT: UNDERWEAR -- MEN'S

SOURCE	IMPORTS UNITS (000 UN)						JAN TO DEC	
	1986	1987	1988	1989	1990	1991	1991	1992
Bangladesh	0	28	0	1,245	1,902	1,982	1,982	2,038
Brazil	14	0	8	61	33	4	4	2
Bulgaria	0	0	0	0	0	0	0	0
China	2,537	2,834	2,233	2,043	2,578	3,414	3,414	3,900
Cuba	20	57	0	0	21	58	58	0
Czechoslovakia	0	0	0	19	0	0	0	0
Dominican Rep.	6	5	10	24	237	1,208	1,208	2,509
Egypt	0	148	95	19	10	1	1	7
Emirates, U.A.	0	345	0	0	0	0	0	0
Hong Kong	6,776	9,008	10,212	7,801	8,493	10,168	10,168	9,257
Hungary	0	0	0	0	48	2	2	0
India	7	181	352	704	1,235	1,777	1,777	1,024
Indonesia	815	728	812	841	1,024	529	529	763
Jamaica	0	0	0	0	5	344	344	1,130
Korea North	0	0	0	0	0	0	0	0
Korea South	52	103	109	36	41	25	25	99
Costa Rica	0	0	47	0	173	346	346	744
Macao	1	75	91	146	179	285	285	234
Malaysia	1	128	674	1,786	3,872	2,972	2,972	4,607
Canada	0	0	0	0	0	0	0	228
Mauritius	0	0	10	295	2,030	336	336	282
Pakistan	61	62	117	306	1	133	133	750
Panama	0	0	0	16	232	0	0	0
Philippines	724	342	597	733	639	936	936	1,146
Poland	0	17	24	24	0	0	0	0
Romania	1	449	466	234	12	0	0	0
Singapore	29	15	0	26	0	58	58	236
Sri Lanka	333	275	677	336	302	370	370	423
Swaziland	6	0	0	1,573	1,295	2,514	2,514	4,167
Taiwan	1,611	1,908	1,885	1,536	1,548	1,569	1,569	704
Thailand	899	738	843	1,015	1,187	673	673	1,178
Turkey	2,739	2,817	2,055	3,206	2,546	3,522	3,522	3,035
Leao	0	0	0	0	0	0	0	0
Viet-Nam	0	0	0	0	0	27	27	0
Yugoslavia	9	2	4	3	1	1	1	0
Oman (Muscat)	0	0	0	159	118	0	0	0
Oeter	0	0	0	0	0	0	0	0
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Total E.E.C.	4,163	1,978	1,610	1,764	1,988	1,415	1,415	1,268
U.S.A.	1,171	880	1,448	1,658	4,611	5,237	5,237	6,190
OTHERS	919	1,131	1,086	926	687	1,309	1,309	1,879
ALL IMPORTS	22,893	24,236	25,503	28,531	37,056	41,235	41,235	47,783

NOTE: Units rounded to the nearest thousand

NON CLASSIFIED

IMPORT TABLE BY PRODUCT -- CLOTHING
REPORT PERIOD: JANUARY 1 TO DECEMBER 31, 1992

1 / Computed on 06/24/93
Page No. 2

PRODUCT: UNDERWEAR -- MAJOC

SOURCE	IMPORTS UNIT PRICE						JAN TO DEC	
	1986	1987	1988	1989	1990	1991	1991	1992
Bangladesh	0.00	0.49	0.00	0.43	0.44	0.44	0.44	0.52
Brazil	1.58	1.18	1.01	1.36	1.16	0.47	0.47	2.49
Bulgaria	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
China	0.77	0.76	1.01	0.97	0.92	1.05	1.05	0.97
Cuba	0.28	0.60	0.00	0.00	1.23	1.12	1.12	0.00
Czechoslovakia	0.00	0.00	0.00	1.20	0.00	0.00	0.00	0.00
Dominican Rep.	2.22	3.16	2.34	4.05	1.18	1.15	1.15	1.20
Egypt	0.00	0.99	0.47	0.97	1.29	2.30	2.30	2.12
Emirates, U.A.	0.00	0.77	0.00	0.00	0.00	0.00	0.00	0.00
Hong Kong	0.65	0.60	0.72	0.90	0.77	0.78	0.78	1.00
Hungary	0.00	0.00	0.00	0.00	1.31	0.58	0.58	0.00
India	2.50	0.59	0.60	0.50	0.47	0.47	0.47	0.54
Indonesia	0.52	0.49	0.48	0.50	0.53	0.50	0.50	0.54
Jamaica	0.00	11.33	34.00	0.00	7.40	0.98	0.98	0.83
Korea North	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Korea South	1.32	3.33	3.47	5.75	4.32	6.13	6.13	2.90
Costa Rica	0.00	4.42	1.74	4.43	0.66	0.89	0.89	0.84
Malawi	1.66	1.26	0.45	0.67	0.74	1.13	1.13	1.06
Malaysia	2.56	0.66	0.62	0.62	0.62	0.58	0.58	0.61
Cambodia	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.63
Mauritius	0.00	0.00	4.00	0.44	0.52	0.87	0.87	0.79
Pakistan	0.38	1.16	1.85	1.29	2.90	1.09	1.09	0.93
Paraguay	0.00	0.00	0.00	0.49	0.67	0.00	0.00	0.00
Philippines	1.00	1.44	1.10	1.58	2.10	1.92	1.92	1.86
Poland	0.00	2.28	1.00	0.47	0.00	0.00	0.00	61.39
Romania	6.16	0.45	0.43	0.77	0.86	5.50	5.50	7.25
Singapore	0.80	0.80	0.00	0.98	0.00	1.67	1.67	0.71
Sri Lanka	0.31	0.43	0.54	0.66	0.76	0.98	0.98	0.68
Swaziland	0.75	0.00	0.00	0.33	0.36	0.42	0.42	0.38
Taiwan	1.73	1.96	0.79	0.75	0.71	0.85	0.85	1.00
Thailand	0.35	0.56	0.73	0.87	0.94	1.23	1.23	1.44
Turkey	0.45	0.46	0.53	0.61	0.72	0.71	0.71	0.76
Laos	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Viet-Nam	0.00	0.00	0.00	0.00	0.00	0.96	0.96	0.00
Yugoslavia	3.06	4.40	3.97	4.45	10.48	13.32	13.32	0.00
China (Russia)	0.00	0.00	0.00	0.35	0.36	0.00	0.00	0.00
Saudi	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<hr/>								
Total E.E.C.	1.80	2.74	2.96	3.05	3.50	4.37	4.37	4.42
U.S.A.	1.80	2.91	1.74	1.91	2.63	2.00	2.00	2.22
OTHERS	1.39	1.10	0.97	1.20	2.33	1.32	1.32	1.67
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ALL IMPORTS	1.02	1.02	0.95	0.99	1.14	1.09	1.09	1.16

NOTE: Price data reports calculations based on rounding, therefore, prices for small quantities will appear unusually high.