

# GENERAL AGREEMENT ON TARIFFS AND TRADE

CONFIDENTIAL

TEX.SB/847\*  
16 June 1983

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Textiles Surveillance Body

## ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

### Notification under Article 3:5

#### Action taken by Canada towards Indonesia

#### Note by the Chairman

Attached is a notification received from Canada concerning a unilateral measure taken under the provisions of Article 3:5, in which imports of tailored-collar shirts from Indonesia are placed under restraint for the period 28 January 1983 to 27 January 1984.

\*English only/Anglais seulement.

TS/140-3

The Permanent Mission of Canada  
to the United Nations



La Mission Permanente du Canada

ANSWERED	DOC. ISSUED	FOLIO
	TEX 30/347	
JUN 13 JUN 1983		
Cabinet of DG		
Director of Nations Affairs		
OFFICE LEGAL AFF.		
Sec. / Council Aff. Div.		
MAN TSB		

500

For	Action	Comments
OPER. DEPT. A.		
Non-Tar. M. Div.	10A, Avenue de Bude	
Development Div.	1202 Geneva	
Tech. Coop. Div.		
Inter-Agency Aff.		
Spec. Proj. Div.	June 10, 1983	
OPER DEPT. B.		
Econ. R / Anal. Unit		
Agriculture Div.		
Tariff Div.		
Tech. Bar. T. Div.		
DEPT. CONF. AFF/ADM		
Adm. / Fin. Div.		
Trans./Doc. Div.		
Training Div.		
Personnel Off.		
Conference Off.		

Ambassador Raffaelli  
Textiles Surveillance Body  
GATT Secretariat  
154, rue de Lausanne  
GENEVA

Dear Ambassador Raffaelli,

Further to Mr. Macdonald's letter of March 10, 1983, and with reference to paragraph 5 (i) of Article 3 of the Arrangement Regarding International Trade in Textiles (hereinafter referred to as the MFA), done at Geneva on December 2, 1973, and to the Protocol extending the MFA, done at Geneva, December 22, 1981, I have been instructed to notify the Textiles Surveillance Body of an action adopted by the Government of Canada on May 31, 1983, under Article 3, paragraph 5 of the MFA respecting the import of tailored collar shirts originating in Indonesia.

Canada's Textile and Clothing Board Inquiry of June 30, 1980, identified tailored collar shirts as one of seven textile and clothing products particularly sensitive in the Canadian market. This fact was further confirmed by a recent survey of the clothing sector undertaken by the Government of Canada with the purpose of identifying specific clothing product categories that are particularly affected by the critical circumstances currently facing the Canadian industry. Tailored collar shirts ranked first in this survey.

During the 1979-1981 period, imports into Canada of tailored collar shirts originating in Indonesia remained relatively stable at low levels, consequently, this particular product was not subject to restraint in the case of Indonesia. In 1982, however, imports of this product

.../2

from Indonesia totalled 481,777 units compared to 1,000 units for all of 1981 and 49,000 units in 1980. The 1982 level of imports constituted a sharp and substantial increase over historical trading patterns. This surge in imports has continued into 1983.

Considering the above, in January 1983, the Government of Canada officially sought consultations with the Government of Indonesia pursuant to Article 3 of the MFA, with a view of reaching agreement on an export restraint arrangement to reduce the disruption caused in the Canadian market by imports of tailored collar shirts originating in Indonesia.

Consultations between Canadian and Indonesian officials were held in Indonesia on May 13 and 14, 1983. No agreement was reached on Canada's request for an export restraint during these consultations. The Government of Canada, consequently, on May 31, 1983, adopted an Article 3, paragraph 5 (i) action by declining to accept imports of tailored collar shirts from Indonesia for retention at a level not less than the level provided in Annex B of the MFA for the twelve-month period beginning on January 28, 1983; the date in which Canada's request for consultations was received by the Indonesian Government. Such level amounts to 354,329 units.

The Government of Canada believes that this action regarding the import of tailored collar shirts from Indonesia takes full account of the agreed principles and objectives set out in the MFA and its Protocol of Extension.

Attached is a detailed factual statement pertaining to this action.

Please accept, Mr. Chairman, the renewed assurance of my highest consideration.



D.E. Hobson  
Counsellor

## INDONESIA - TAILORED COLLAR SHIRTS

### 1. Product Description

Shirts with tailored collars, men's and boys', wholly or mainly by weight of cotton, man-made fibres or wool, or blends thereof, knitted or woven, being garments covering the upper part of the body normally worn next to the skin or directly over underwear and with a full or partial front opening which may include a zipper, and it may be designed to be worn either inside or outside of pants. Included are all men's and boys' shirts meeting this description whether exported separately or as part of a set.

Note: Included are children's sizes 4-6x.

A "tailored collar" consists of one or more pieces of material which are cut and sewn or cut and fused and designed with two pointed or rounded ends. The following may be used, when needed, in the construction: stays, lining, stiffening by any means.

Information on Special Trade Relations codes and Customs classification can be found in Annex I.

### 2. Chronology

a) Canada's Textiles and Clothing Board (TCB) inquiry of June 30, 1980, identified seven product categories which, because of a particularly serious market situation, require special attention regarding: the acceptable level of imports; the annual growth permitted in the levels of restraint; and the appropriateness of swing, carryover and carry forward provisions. Tailored collar shirts were included in the TCB list. At that time, the level of imports of this particular product originating in Indonesia did not warrant a bilateral restraint arrangement.

b) Imports of Indonesian tailored collar shirts in 1982 totalled 481,779 units. Highest previous level was 54,000 units in 1979. It is also noted that the Indonesian selling price to Canadian importers is among the lowest of all major exporting countries (see Annex IV).

- c) January 28, 1983. Request for consultations under Article 3 of the MFA regarding imports of tailored collar shirts, delivered to Indonesian authorities.
- d) March 10, 1983. Notice of request for consultations delivered to the Chairman of the TSB.
- e) March 23, 1983. Indonesian authorities are advised that according to the MFA, Annex B formula, the specific level at which Canada considers that exports of tailored collar shirts should be restrained in 1983 is 354,000 units, and that it is expected that Indonesia will adhere to this level of exports pending the result of consultations.
- f) April 15, 1982. Indonesian and Canadian officials agree to meet for consultations in Indonesia, May 13-14, 1983.
- g) May 13-14, 1983. Indonesian and Canadian officials meet in Jogjakarta. No agreement is reached on a restraint arrangement. Indonesian officials are informed of Canada's intention to limit imports of tailored collar shirts from Indonesia at 354,329 units for a twelve-month period effective on the date of Canada's request for consultations. A Record of Discussion is signed calling for negotiations to resume if and when there appear to be grounds for reaching agreement.
- h) May 31, 1983. The Government of Canada advised the Government of Indonesia that the issuance of import permits covering shipments of Indonesian tailored collar shirts entering Canada on or after January 28, 1983, the date upon which the Government of Canada formally notified the Government of Indonesia of its request to enter into bilateral consultations, reached a level of 354,329 units. Accordingly, the Government of Canada, pending the mutually satisfactory resolution of this issue and in accordance with Article 3(5) of the MFA, has stopped issuing import permits covering shipments of Indonesian tailored collar shirts for the period January 28, 1983 to January 27, 1984.

### 3. Existence of Market Disruption

#### A. Evidence of damage to the domestic industry

##### (i) General

As shown in Annex II, during the 1979-81 period, the Apparent Canadian Market (ACM) for tailored

collar shirts remained relatively stable. A declining trend in market growth began in 1981 when the ACM decreased by 3% and by a further 6% in 1982. In 1980, domestic producers secured a market share equal to 60 percent of the ACM - their highest share since prior to 1975. In 1981 however, a downward trend began; the domestic producers' share of the ACM in that year fell to 59 percent and to 51 percent in 1982. With domestic shipments off by 20% and imports up by 14 percent, import penetration increased from 40 percent in 1980 to 49 percent in 1982.

(ii) Employment

- During the 1978-1982 period, employment in this sector declined from 7,246 jobs in 1978 to 5,550 in 1982. (46 percent of these jobs are concentrated in the Province of Ontario and 45 percent in Quebec.)
- Out of a total of 33 domestic manufacturers remaining in the market (compared to 48 plants in 1978), 15 are currently participating in a work sharing program affecting almost one half of the work force in this sector.

(iv) Capacity Utilization and New Orders

- Capacity utilization expressed as a percentage of normal operating capacity has decreased progressively from 95% in 1979 to 78% in 1981 and to 60% by the end of 1982.
- Orders on hand in January 1983 were down 27% when compared to the number of orders placed by retailers with domestic manufacturers in January 1982.
- Retail inventories remain relatively high and lead times provided to domestic producers are extremely short, making it extremely difficult for them to order fabric and schedule their production.

(v) Investments

- In light of the current market situation and the persistent erosion in the market share held by domestic producers, no major investments have been undertaken by this sector either in 1981 or 1982.

B. Sharp and Substantial Increase of Imports

(vi) Imports

- 1981 imports of tailored collar shirts declined by 1%. In 1982, however, in spite of a continuous decline in market demand, overall imports of tailored collar shirts increased by 14%. This increase was accounted for exclusively by low-cost exporting countries which increased their exports by 17 percent. Imports from Hong Kong, South Korea, Taiwan and the People's Republic of China (PRC) accounted for 78% of imports from all sources in 1982 (see Annex III). Imports of tailored collar shirts from developed sources, accounted for only 3 percent of total imports.
- In 1982, among the emerging suppliers of tailored collar shirts to the Canadian market, Indonesia shipped 481,779 units, a level equivalent to 3.3 percent of total imports.
- 1982 restraint utilization by the four major exporting countries was as follows: Hong Kong 107%, South Korea 103%, Taiwan 97% and the PRC 102%.

(vii) Equity

- Currently, there are fourteen bilateral restraint arrangements in effect, covering imports of tailored collar shirts. In the case of Sri Lanka a restraint arrangement covering this particular product is in the process of being finalized.



<u>Country</u>	<u>1983 Restraint Levels (units)</u>	<u>Growth (%)</u>
Hong Kong	2,613,529	2
Korea	4,796,258	1.2
Taiwan	2,424,000	1
P.R. of China	1,854,000	3
India	337,366	6
Pakistan	220,000	6
Philippines	212,000	6
Thailand	424,000	6
Malaysia	901,000	6
Singapore	365,000	6
Macao	127,200	6
Poland	5,356	3
Romania	169,950	3
Bulgaria	190,550	3

Imports of tailored collar shirts from Indonesia in 1982 exceeded the 1983 restraint levels agreed to with India, Pakistan, Philippines, Thailand, Singapore, Macau, Poland, Romania and Bulgaria.

#### C. Price

The landed unit price of tailored collar shirts imported from Indonesia has been consistently among the lowest range for shirts originating in low-cost exporting countries (see Annex IV). In 1982, the landed unit price of an Indonesian tailored collar shirt was approximately one fifth of the unit price of a Canadian manufactured shirt, and the fifth lowest among low-cost exporting countries.

In accordance with the Canadian Customs Act, the value for duty of imported goods is generally based upon the higher of the fair market value in the country of export or the selling price to the purchaser in Canada. Duty paid on imported tailored collar shirts is as follows.



<u>Customs Classification</u> (1)	<u>BP</u> (%)	<u>MFN</u> (%)	<u>GT</u> (%)	<u>GPT</u> (%)	<u>U.K. &amp; Ireland</u> (%)
52305	22.5	22.5	35.0	N/A	22.5
54305	22.5	22.5	35.0	N/A	25.0
55303	23.3	23.3	45.0	10.0	23.3
56300	20.0	25.0	50.0	N/A	25.0

Note: BP = British Preferential  
MFN = Most Favoured Nation  
GT = General Tariff  
GPT = General Preferential Tariff

- (1) See Annex I for product description  
(2) N/A, not applicable.

Imports of tailored collar shirts from Indonesia fall either within the General Preferential tariff or the Most Favoured Nation Tariff.

#### D. Interests of the Exporting Country

During consultations, Canadian officials offered some degree of flexibility in the context of a four-year arrangement to cover the years 1983 to 1986. Furthermore, Indonesian officials were informed that Canada would consider accommodating, on an ex-quota basis, documented exports from Indonesia to Canada between January 1 and 28, 1983, for a total of 126,302 units.

#### 4. Conformity of Canadian Offer with Annex B of MFA

The total level of imports of tailored collar shirts originating in Indonesia that entered Canada during the twelve-month period commencing November 1981 and ending October 1982 was 354,329 units (see Annex V). The calculation of this level of imports is based on the delivery date of Canada's request for consultations to Indonesian authorities, namely, January, 1983. The base level on a four-year arrangement offered by Canadian officials during consultations was 375,589 units, which is the equivalent of the level of imports accounted for by the MFA Annex B formula plus six percent. A yearly growth factor of 6 percent on the base level plus carryover/carry forward of 10 percent of which carry forward shall not represent more than 5 percent was also offered.

ANNEX I

Product Description  
Code and Classification

SHIRTS, TAILORED COLLAR

A) CONTROL 49

OSTR  
CODE

ITEM DESCRIPTION

Shirts with tailored collar, men's and boys' wholly or mainly by weight of cotton, man-made fibres or wool or blends thereof.

49-101  
49-102  
49-125

- men's
- boys' (4-6X)
- lumberjack shirts, men's and boys (4-6X)

Partially Manufactured

49-103  
49-104

- men's
- boys' (4-6X)

Partially Manufactured

49-140  
49-141

- shirts with tailored collar
- Handicrafts
- shirts with tailored collar
- Cottage Industry

B) Customs Classification

52305-1

Clothing, wearing apparel and other articles, made from woven fabrics wholly of cotton; all textile manufactures, wholly or partially manufactured, the component fibre of which is wholly cotton, n.o.p.

54305-1

Clothing, wearing apparel and articles, made from woven fabrics, and all textile manufactures, wholly or partially manufactured, composed wholly or in part of vegetable fibres, n.o.p., when the textile component is not more than fifty percent or more, by weight, of man-made fibres or filaments or glass fibres or filaments, no wool or hair.

55303-1

Clothing, wearing apparel and articles made from woven fabrics, and all textile manufactures, wholly or partially manufactured.

56300-1

Clothing, wearing apparel and articles made from woven fabrics, and all textile manufactures, wholly or partially manufactured, the textile component of which is fifty percent or more, by weight, of man-made fibres or filaments or of glass fibres or filaments, not containing wool or hair.

STRO  
May, 1983

ANNEX II  
TAILORED COLLAR SHIRTS

Apparent Canadian Market  
(000's Units)

	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983e</u>
Domestic Shipments (net)	19,295	19,687	18,932	15,185	14,500
Imports	<u>13,495</u>	<u>12,989</u>	<u>12,900</u>	<u>14,712</u>	<u>15,000</u>
Apparent Cdn. Market	32,790	32,676	31,832	29,897	29,500
Market Share Distribution					
Domestic	59%	60%	59%	51%	49%
Imports	41%	40%	41%	49%	51%

Major Market Indicators  
(Percentage Changes)

	<u>1980/79</u>	<u>1981/80</u>	<u>1982/81</u>	<u>1983/82</u>
Apparent Cdn. Market	-	(3%)	(6%)	(1%)
Domestic Shipments	2%	(4%)	(20%)	(5%)
Imports	(4%)	(1%)	14%	2%
Employment	(10%)	(5%)	(11%)	n/a
Order Bookings	-	-	(16%)	(21%)

April 1983

ANNEX III  
IMPORT TABLE BY PRODUCT

PRODUCT: TAILORED-COLLAR SHIRTS - MB

Source	IMPORTS (000's Units)					
	1979	1980	1981	1982	Jan.-Mar.	
					1982	1983
Hong Kong*	2,460	2,136	2,488	2,857	717	669
Korea*	4,506	4,538	4,248	4,806	1,716	1,299
Taiwan*	2,234	2,259	2,024	1,977	559	666
P.R. China*	1,889	1,461	1,357	1,744	274	460
India*	260	14	92	237	70	104
Malaysia*	511	430	497	873	266	139
Thailand*	252	230	152	170	59	31
Singapore*	95	125	240	265	92	165
Philippines*	27	112	27	11	-	neg
Macao*	49	90	43	37	4	37
Sri Lanka	27	154	377	216	65	244
Pakistan*	25	172	41	38	13	9
Poland*	5	5	5	-	-	-
Romania*	190	131	102	101	-	-
Bulgaria*	178	155	-	-	-	-
Hungary	55	4	-	-	-	-
Czechoslovakia	-	-	-	-	-	-
All Restrained	12,763	12,016	11,693	13,332	3,835	3,823
Indonesia	54	49	1	482	neg	153
Yugoslavia	neg	-	-	-	-	-
Egypt	-	34	108	-	-	-
Costa Rica	-	-	60	103	23	-
Barbados	-	-	-	-	-	-
Haiti	1	13	-	-	-	-
Dominican Rep.	-	-	66	70	39	-
Cuba	-	-	126	201	41	39
Honduras	22	169	47	-	-	-
Brazil	neg	4	-	-	-	-
Mexico	4	2	2	3	2	1
Other	48	1	13	3	neg	neg
All Low-Cost	12,892	12,288	12,116	14,194	3,940	4,016
All Developed	466	667	756	473	177	114
All Imports <sup>3</sup>	13,359	12,954	12,870	14,666	4,117	4,130
All "Other Nes"	136	35	30	46	9	4
	13,495	12,989	12,900	14,712	4,126	4,134

Notes:

- Source: Import permit data by date of entry (RIB).
  - OSTR Codes: 49-101, 49-102, 49-103, 49-104, 49-125, 49-140, 49-141 (1979/81 - 49-001, 49-005, 49-013, 49-015, 49-025)  
TCB Codes: 49.1
  - Exclude "other nes" e.g. silk, leather, vinyl.
- \* Currently restrained

April 1983

ANNEX IV  
PRICE TABLE  
(\$/unit)

Product: SHIRTS, TAILORED COLLAR MB

Source	1979		1980		1981		1982		
	Stat.	Can.	STRO	Stat.	Can.	STRO	Stat.	Can.	STRO
Hong Kong	3.91		3.93	5.06		4.72	5.46		5.20
Korea	3.32		3.06	3.87		3.35	3.97		3.40
Taiwan	3.22		2.62	3.88		2.88	4.05		3.12
P.R. China	2.28		1.48	2.77		2.37	3.14		2.23
India	3.41		2.83	3.82		3.48	3.50		3.61
Malaysia	2.27		2.25	3.38		3.31	3.76		3.78
Thailand	3.71		3.45	3.28		3.39	3.46		3.58
Singapore	3.91		3.43	4.30		5.00	4.80		4.00
Philippines	3.34		2.37	2.75		1.98	3.20		2.46
Macau	4.90		5.31	4.67		3.90	4.07		3.20
Sri Lanka	2.42		2.57	2.73		2.68	3.28		3.19
Poland	2.58		3.00	2.59		2.87	3.59		3.39
Romania	2.14		2.39	2.56		2.87	3.03		3.11
Bulgaria	2.68		-	3.01		3.19	4.93		-
Hungary	3.61		3.76	3.54		5.15	-		-
Czechoslovakia	-		-	-		-	-		3.74
Pakistan	1.14		1.36	2.14		1.05	1.63		1.02
Indonesia	1.91		1.26	2.52		1.32	1.14		1.09
Yugoslavia	11.41		11.41	-		-	-		-
Costa Rica	-		-	-		-	2.40		2.40
Barbados	-		-	-		-	-		-
Haiti	3.27		3.49	1.03		1.21	-		-
Dominican Rep.	3.48		-	-		-	-		7.93
Cuba	-		-	-		1.09	-		2.70
Brazil	4.00		7.62	12.02		2.38	4.67		-
Mexico	2.86		2.85	4.28		4.16	4.53		5.21
El Salvador	-		1.79	-		-	-		-
Antigua	-		-	-		-	-		-
Jamaica	-		2.40	-		-	-		-
Uruguay	2.95		16.35	-		-	-		-
Tunisia	-		-	-		-	-		-
Morocco	-		2.83	-		10.00	-		5.85
U.K.	5.25		9.04	5.13		12.35	8.84		10.53
France	5.85		7.41	6.00		16.13	7.95		13.94
W. Germany	4.92		5.45	5.24		6.69	5.95		11.23
Italy	4.21		14.13	6.22		13.46	6.89		8.71
Japan	2.44		4.57	5.48		6.04	6.58		7.05
U.S.A.	4.56		4.44	4.30		4.32	5.23		5.88
Canada			8.16			9.61			9.90
									10.78

Notes:

- Source: - Statistics Canada - based on information provided by Textile and Consumer Products Branch.  
 - STRO - based on import permit data (RIA).  
 - Canada - provided by Textile and Consumer Products Branch.

November 1982.

ANNEX V  
INDONESIA  
MONTHLY SHIPMENTS BY DATE OF ENTRY  
TAILORED COLLAR SHIRTS (UNITS)

<u>1981</u>	<u>By Month</u>
January	-
February	8
March	130
April	100
May	255
June	109
July	-
August	-
September	16
October	6
* November	2
* December	-

  

<u>1982</u>	
* January	-
* February	250
* March	118
* April	50,797
* May	96,715
* June	65,570
* July	52,413
* August	-
* September	22,232
* October	66,232
November	57,696
December	69,756

  

<u>1983</u>	
January	94,204
February	15,902
March	42,962
April	179,873
May	87,600 (as of May 17)

May 18, 1983

## ANNEX: CANADIAN REQUEST FOR CONSULTATIONS.

### INDONESIA - Tailored Collar Shirts

Indonesian authorities may be aware that following a report released by the Textiles and Clothing Board after its inquiry on the situation of the textile and clothing industries in Canada, the Canadian Government on June 19, 1981 announced its new policy for the textile and clothing sectors which included the allocation of more than \$250 million over five years for a new adjustment program and the renegotiation of the bilateral restraint arrangements in place with supplying countries. At the time of the announcement the Government also stated that prompt action would be taken in cases where there is evidence of new sources of market disruption with respect to any low-cost textiles and clothing items. Surveillance of imports from non-restrained low-cost sources indicates that imports of tailored collar shirts from Indonesia have risen significantly during 1982 to 482,000 units compared to 1,000 units for all of 1981 and 49,000 units in 1980. These imports constitute a sharp and substantial increase over historical trading patterns and in 1982 accounted for a three percent share of all imports and just under two percent share of the Canadian market compared to negligible shares in previous years. Furthermore, Canadian authorities have received evidence that this surge in imports will continue into 1983.

The Canadian market for tailored collar shirts decreased by three percent between 1979 and 1981. Domestic shipments decreased by two percent and overall imports decreased by four percent. Imports from low-cost sources during that period fell by three percent. It is estimated that for 1982 the Canadian market declined by a further six percent with a decrease in domestic shipments of 19 percent but an increase in imports from low-cost sources of 14 percent.

In 1980 the domestic industry held a 60 percent share of the Canadian market, their highest share since prior to 1975, but in 1981 this declined to 59 percent. Estimates for 1982 indicate a further decrease in the share of the Canadian market held by domestic manufacturers to 51 percent. Moreover, forward orders booked for 1983 are down 27 percent from last year. The trends in the market situation mentioned above have exacerbated an already serious situation facing the Canadian tailored collar shirt sector that has resulted in reduced capacity utilization and plant closures and has caused severe disruption to the Canadian market. The level of imports are causing damage difficult to repair and disrupt the orderly adjustment and restructuring of the Canadian industry.



Domestic manufacturers are now operating at less than 60 percent capacity. Employment in this sector during the 1979-81 period declined by 15 percent. During 1982, approximately 1236 jobs (or 22 percent of the total labour force employed in the manufacturing of tailored collar shirts) were lost due to layoffs and plant closures. Man hours worked on average declined 24 percent in 1982 over the previous year. In addition, out of a total of 27 domestic producers, 15 are currently on work sharing programs affecting over 2,500 employees.