

GENERAL AGREEMENT  
ON TARIFFS AND  
TRADE

ACCORD GENERAL SUR  
LES TARIFS DOUANIERS  
ET LE COMMERCE

CONFIDENTIAL

TEX.SB/279

7 February 1978

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Textiles Surveillance Body

Organe de surveillance des textiles

ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Notification by Canada

Note by the Chairman

Attached is a letter from Canada regarding the TSB's report (see COM.TEX/SB/283, paragraph 3) on its discussion of Hong Kong's communication<sup>1</sup> to it with respect to the TSB's earlier recommendation regarding the case between Canada and Hong Kong.<sup>2</sup>

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<sup>1</sup>For earlier communications see COM.TEX/SB/249 and TEX.SB/271.

<sup>2</sup>For TSB's recommendations see COM.TEX/SB/260, paragraphs 5 to 7.

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ARRANGEMENT CONCERNANT LE COMMERCE INTERNATIONAL DES TEXTILES

Notification du Canada

Note du Président

On trouvera ci-joint une lettre du Canada concernant le document COM.TEX/SB/283, paragraphe 3, compte rendu que l'OST a fait de son examen de la communication<sup>1</sup> que Hong-kong lui a adressée au sujet de sa recommandation antérieure relative au différend entre le Canada et Hong-kong<sup>2</sup>.

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<sup>1</sup>Pour les communications antérieures, voir les documents COM.TEX/SB/249 et TEX.SB/271.

<sup>2</sup>Pour les recommandations de l'OST, voir le document COM.TEX/SB/260, paragraphes 5 à 7.

TS/140  
The Permanent Mission of Canada  
to the United Nations



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La Mission Permanente du Canada  
auprès des Nations Unies  
10a, avenue de Budé  
1202 Geneva.

January 23, 1978

Dear Mr. Wurth,

Reference is made to a report of the Textiles Surveillance Body contained in document COMTEX/SB/283 regarding Canada/Hong Kong consultations on Bedsheets and Polyester Fabrics. Canadian authorities regret that the Textiles Surveillance Body was unable to discern the fundamental issue behind the difference of opinion which developed between the Hong Kong and Canadian authorities on the efficacy of Hong Kong's suggested "transitional provisions".

As was confirmed by the Hong Kong representative, Hong Kong had issued export licenses, which although these were, in Hong Kong's view, "unvalidated", nevertheless could have been utilized to export bedsheets to Canada during the restraint period in excess of the restraint level, without counting against the restraint regime in place. If Canada barred their importation, the brunt of the financial hardship would fall upon Canadian importers, instead of Hong Kong exporters, since goods are generally paid for before they are exported. This would have occasioned severe difficulties for the parties involved, for which a solution would be required. The Canadian proposal, which fully took into account Canadian obligations under the International Textile Arrangement, was intended to minimize the possibility of any such hardship to participants, by ensuring that all importations would fall under the restraint regime in effect at the time of importation.

Mr. P. Wurth, Chairman,  
Textiles Surveillance Body,  
Centre William Rappard,  
154 rue de Lausanne,  
1211 Geneva.


ANSWERED	DOC. ISSUED	20 X 2700	
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For:	Action	Comment	Inf.
TRADE POLICY DT			X
Gen. Div.			
Agri. Div.			
Special Pr. J.			
TRADE DEVELOP. DT.			
Sp. Asst. Tr. Negs			
Dev. Div.			
Intel. Div.			
CHAIR, TS	X		
OFFICE OF U-01			X
Consultant (ADC)			
Conf. Div.			
Int. Ext. Rels/Info.			
Ext. Rels Sec.			
Info/Lib. Serv.			
Training Prog.			

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The issue therefore, was not one of ensuring that Canadian import permits (and commitments involved thereby) would be honoured, but rather of ensuring that all importations of bedsheets from Hong Kong would be counted against the restraint regime. The Textile Surveillance Body did not appear to deal with this issue.

While Canadian authorities do not therefore accept the inference of the Textile Surveillance Body that Canada has in any way not made its best efforts to find a mutually satisfactory resolution to this problem, they remain prepared to hold further consultations with Hong Kong authorities at a convenient date in the future.

Yours sincerely,



R.J. Martin,  
Minister Counsellor and  
Alternate Representative to the GATT