

GENERAL AGREEMENT  
ON TARIFFS AND  
TRADE

ACCORD GENERAL SUR  
LES TARIFS DOUANIERS  
ET LE COMMERCE

CONFIDENTIAL

TEX.SB/370

9 February 1979

---

Textiles Surveillance Body

Organe de surveillance des textiles

ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Notification under Article 3:5

Note by the Chairman

I attach hereto a copy of a letter received from Canada concerning the imposition of quantitative restrictions on cotton terry towels, washcloths, bathmats and sets when imported from India during the period 15 November 1978 to 31 December 1979.

---

ARRANGEMENT CONCERNANT LE COMMERCE INTERNATIONAL DES TEXTILES

Notification conformément à l'article 3, paragraphe 5

Note du Président

Les membres de l'OST trouveront ci-joint une lettre que j'ai reçue du Canada au sujet de l'application de restrictions quantitatives sur les serviettes en tissu-éponge de coton, les petites serviettes de toilette, les tapis de bain et ensembles, à l'importation en provenance de l'Inde pendant la période allant du 15 novembre 1978 au 31 décembre 1979.

TE/40-3  
72-7 FEB 1979  
The Permanent Mission of Canada  
to the United Nations X



445  
La Mission Permanente du Canada  
auprès des Nations Unies

10a, ave de Budé  
1202 Geneva

February 6, 1979

*Wurth*  
Dear Ambassador Wurth, X  
X *NRJ*

Early in the second half of 1977, the Textile and the ~~Clothing~~ Board of Canada (an independent body reporting to the Canadian Parliament through the Minister of Industry, Trade & Commerce) released its report on Woven Cotton Terry Towels and Washcloths. The report was subsequently considered by the Minister of Industry, Trade & Commerce and tabled by him in the Canadian House of Commons.

After dealing with earlier studies of terry towels and towelling which the Board had conducted in 1973 and again in 1974, the Board drew the following conclusions:

" However, late in 1976, it became apparent to the three Canadian producers of terry towels and washcloths, as a result of decreasing orders and rising inventories, that the increase in imports that had taken place during the year was causing serious injury to Canadian production. The three producers consequently approached the Board to request the situation be reviewed.

Data now available to the Board shows that imports of terry towels reached 7,253,000 pounds in 1976 an increase of 76.1% over 1975 and an increase of 13.8% over the highest previous level of 6,372,000 pounds which occurred in 1973 and was found to be injurious to Canadian production. This abnormally high level of imports has continued into the first quarter of 1977 during which 1,682,000 pounds of terry towels and washcloths were imported into Canada.

As a consequence of this abnormally high level of imports, Canadian producers have had to resort to temporary lay-offs, involving at times half of the industry's workers, to keep their inventories from reaching excessive levels as a result of lack of orders. In addition, the extensive modernization plans initiated by the industry in 1973, and due for completion in 1978, have been put in serious jeopardy at a most critical time when they are about to become operational. These plans now involve the whole Canadian terry towel and washcloth industry, as a result of a commitment by the third producer in mid-1976

H.E. Ambassador Paul WURTH  
Chairman, Textiles Surveillance Body  
Villa Le Bocage - Palais des Nations  
1211 Geneva 10

.../2

to embark on a comprehensive renovation and modernization program. The Board is satisfied that this will enable the industry to increase its ability to meet international competition in the market in Canada.

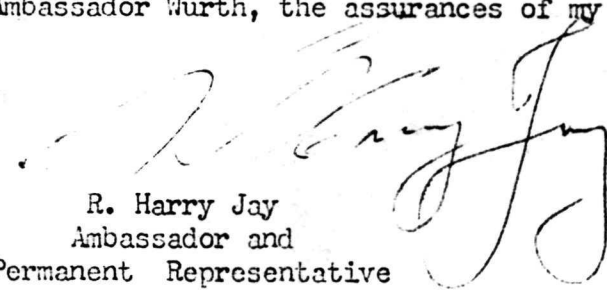
The Board is of the opinion that, if there is in 1977 a recurrence of import levels of terry towels and washcloths experienced in 1976, the Canadian industry will suffer irreparable damage leading to large scale unemployment in the industry and severely undermining the rationalization plans under way. In addition, the socio-economic repercussions on the communities of Iroquois and Dunnville, where employment in towel and washcloth production represents the major source of work, would be severe and deeply felt at all levels."

In December of 1977, Canadian authorities notified the Government of India of the conclusions of the Canadian Textile and Clothing Board and requested consultations. Subsequently, Canada negotiated arrangements with Poland, Hong Kong, Korea and Taiwan, and consultations are continuing with Pakistan.

Consultations were held in Ottawa on June 22 and July 24, and in Delhi on November 15 and 16, 1978. As a mutually acceptable arrangement was not reached during these consultations and as the situation in the Canadian industry continues to be serious, Canadian authorities have advised Indian authorities that pursuant to the provisions of Article 3 (5) of the Arrangement regarding International Trade in Textiles, Canada will restrict the import of cotton terry towels, washcloths, bath-mats and sets from India effective 15 November 1978 to 31 December 1979, to a level of 467,200 pounds. This is based on a level for 1978 derived in accordance with the provisions of Annex B of the Arrangement regarding International Trade in Textiles. This level has in turn been increased by 6% in accordance with paragraph 2 of annex B to establish a level for 1979 and the result has been multiplied by 13.5/12 to reflect the 13½ month life of the restraint.

It is the opinion of the Canadian authorities that this action is necessary in order to prevent imports from India from further disrupting Canadian production and unemployment in this sector and to meet the equity provisions in both the International Textiles Arrangement and the bilateral arrangements already negotiated. In taking this action, it is our hope, nevertheless, that consultations will be resumed with a view to reaching a mutually satisfactory arrangement at an early date.

Please accept, dear Ambassador Wurth, the assurances of my highest consideration.

  
R. Harry Jay  
Ambassador and  
Permanent Representative