

GENERAL AGREEMENT
ON TARIFFS AND
TRADE

ACCORD GENERAL SUR
LES TARIFS DOUANIERS
ET LE COMMERCE

CONFIDENTIAL

TEX.SB/501

8 February 1980

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 worsted fabrics when imported from India during the period 1 October 1979 to 30 September 1980.

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 tissus en laine peignée, à l'importation en provenance de l'Inde pendant la période allant du 1er octobre 1979 au 30 septembre 1980.

TS/140-3

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The Permanent Mission of Canada
to the United Nations



La Mission Permanente du Canada
aupres des Nations Unies

10 A, avenue de Budé
1202 Geneva

January 29, 1980

Dear Ambassador Wurth,

My authorities have asked me to advise you that the attached note concerning Canadian Article 3:5 action on imports from India of worsted fabrics was delivered to the Indian authorities in New Delhi on January 25, 1980.

Please accept the renewed assurances of my highest consideration.

Handwritten signature/initials

D.S. McPhail
Ambassador and
Permanent Representative

His Excellency
Ambassador Paul Wurth
Chairman
Textile Surveillance Body
G E N E V A

ANSWERED	DOC. ISSUED	FOLIO	
	1256/501		
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For:	Action	Comment	Inf.
TRADE POLICY DT:			
Gen. Div.			
Agri. Div.			
Special Proj.			
TRADE DEVELOP. DT:			
Sp. Asst. Tr. & Inv.			<input checked="" type="checkbox"/>
Dev. Div.			
Intel. Div.			
CHAIR, TS:	<input checked="" type="checkbox"/>		
OFFICE OF D-G:			
Consultant (ADC)			<input checked="" type="checkbox"/>
Conf. Div.			
Dir. Int. Proj. & Tr.			
Ext. Rel. Sec.			
Info/Lib. Serv.			
Training Div.			

Handwritten signature/initials

**CANADIAN NOTE TO INDIAN AUTHORITIES CONCERNING
ARTICLE 3:5 ACTION ON IMPORTS OF WORSTED FABRICS**

The Indian authorities will recall the Canadian Note of July 25, 1979 requesting consultations on a range of products including worsted fabrics, under Article 3 of the MFA. This Note indicated that imports of worsted fabrics from India had risen sharply in 1978 and that this increase was continuing in 1979. Statistics Canada figures now available for the first eight months of 1979 show imports to be at a level of 446,506 square metres. For 1979, import permits have been issued for 793,118 square metres. When compared with historic levels of 1975 (295,987 square metres), 1976 (308,528 square metres), 1977 (160,535 square metres) and 1978 (520,067 square metres), these important statistics confirm that the trend begun in 1978 has continued.

Imports of worsted fabrics are currently under restraint from six sources: the Republic of Korea, the People's Republic of China, Poland, Romania, Taiwan and Uruguay. The import levels now being attained by Indian worsted fabrics exceed the restraint levels established with five of the above suppliers. Import statistics also indicate that the sudden increase in imports reflects a growth rate far in excess of that available to these other sources. In 1978, for example, while the Canadian market grew by only 4 percent, Indian shipments increased over 200 percent. Again, in the first half of 1979, Indian shipments rose a further 52 percent.

The Canadian authorities regret that the August 27-29, 1979 and January 14-18, 1980 meetings in Delhi did not result in the negotiation of a mutually acceptable arrangement covering worsted fabrics. Due to the continuing sharp increases in imports of this product from India, Canada's equity obligations to other trading partners, and the continuing vulnerability of the Canadian industry to disruption from sudden increases in imports, the Canadian authorities wish to inform the Indian authorities that, as a temporary measure, it has become necessary to limit imports from India of worsted fabrics. This action is taken with regard to the provisions of Article 3(5) of the MFA. The Canadian authorities will limit importations for a twelve-month period commencing October 1, 1979 at a level of 644,151 square metres. This level has been determined in accordance with Annex B of the MFA and is based on actual imports during the period May 1978 to April 1979.

In taking this action, the Canadian authorities have had regard to the need to provide a degree of certainty to both Canadian importers and Indian exporters to facilitate the continuation of trade in worsted fabrics.

Although Canada has found it necessary to restrain imports of these textile products, the Canadian authorities wish to emphasize that it is their hope that a mutually acceptable solution may be reached through further bilateral negotiations.

CANADIAN NOTE TO INDIAN AUTHORITIES
REQUESTING CONSULTATIONS UNDER ARTICLE 3 OF MFA

Indian authorities will recall the Canadian notes of June 1978 and September 1978 relating to matters of trade in textiles between our two countries.

The note delivered in June 1978 provided information concerning the 1977 report of the Canadian Textile and Clothing Board (TCB) as well as an outline of certain changes in the Canadian import control programme, specific reference was made to a number of important developments, including the TCB finding that imports into Canada of certain clothing items were causing or threatening to cause serious injury to Canadian production; the subsequent conclusion of a series of bilateral restraint arrangements with the major suppliers of clothing and textiles to the Canadian market; and the replacement of the emergency global quota on clothing with these bilateral arrangements as of January 1, 1979. It was also indicated that underlying this liberalization of import controls was a commitment on the part of the Canadian government to ensure that the desired stability in the domestic textile and clothing market was not undermined by disruptive shifts to unrestrained suppliers. In this regard, it was noted that a global monitoring system would be introduced to provide up-to-date information on levels of imports from all sources.

In September 1978 Indian authorities were advised that information received in the context of the monitoring system indicated that a very substantial rise in imports from India was anticipated for 1979. This would have constituted a sharp increase over recent trading patterns and in some instances would have resulted in import levels significantly exceeding established restraints with Canada's other traditional suppliers. It was noted that this was occurring at a time when the Canadian industry continued to be vulnerable to imports.

As a result of the above factors, consultations covering a range of clothing and textile items were requested with Indian authorities under the provisions of Article 4 of the Arrangement Regarding International Trade in Textiles (MFA). In requesting these consultations, the Canadian authorities emphasized the urgent need to conclude appropriate arrangements prior to January 1, 1979 in order to minimize any uncertainty in and disruption to the textile trade between Canada and India.

Since September 1978 to date, only two short rounds of discussions could be arranged and these did not prove sufficient to reach a mutually acceptable solution. In the interim, the situation with respect to both import levels and conditions in the Canadian market, especially for certain of the most sensitive of products under consultation, has presented increasing

cause for concern. For three of these clothing categories in particular, i.e. tailored collar shirts, other shirts and blouses including T-shirts and sweatshirts, and ladies sportswear, sharp increases in the quantity of imports have taken place in the first six months of 1979.

In the case of all shirts and blouses from India (Canadian Import Control Nos. 39 and 49) import permits to date total 1,872,000 units. This six month level is already in excess of actual 1978 imports from India which reached 1,500,000 units. All available evidence indicates that imports will continue at this rate. Total imports for 1979, therefore, will significantly exceed the levels of imports in both 1977 and 1978. In terms of imports from all sources for these items, permits issued for India constitute a doubling of its respective market share in 1979 compared to the previous year.

Within these apparel categories, the situation is particularly severe with respect to woven blouses. India, an established major supplier, has registered marked increases in early 1979. Available import data demonstrates that India's share of the total import market has increased to 20 percent in 1979 compared to 8 percent in the same period in 1978. This increase has taken place at a time when total imports are also rising.

Tailored collar shirts are also a cause for concern. In this item, for which India is a new entrant, import permits have been issued for 100,000 units in the first six months. This level not only represents an increase, but it also exceeds past performance and negotiated restraint levels with a number of other suppliers.

Regarding the ladies' sportswear category (Canadian Import Control No 42) similar circumstances apply. Permit issuance for India in the first 6 months of 1979 totals 416,500 units which approaches the 12 month 1978 level of 494,000 units, an increase that has doubled India's share of the import market.

It will be recalled that worsted fabric was discussed during the second round of negotiations mentioned above with the Indian authorities. Available import data indicates a sharp increase in the level of imports of worsted fabric from India. Permits issued for the first half of 1979 show a level of 501,000 square yards which, compared with the annual import levels of 1977 (192,000 square yards) and 1978 (622,000 square yards) confirms that the 1978 increase is continuing. This level indicates that India has now become the fifth largest supplier of worsted fabric. The product is now under restraint from seven sources.

The increases outlined above for both clothing and worsted fabrics also raise important concerns regarding Canada's equity obligations, under both the MFA and the specific provisions of negotiated bilateral restraint arrangements with other trading partners. The current high levels shown in import permit data and in anticipated increases in imports from India not only exceed established restraint levels with traditional suppliers but also

represent a proportionately higher rate of growth than that available to these other suppliers.

With respect to the Canadian domestic market, there is a current trend towards softening of demand which is exerting pressure on domestic production. For the clothing items under consideration, inventory levels are increasing and there has been a decline in repeat orders causing serious concern for employment levels. The Canadian industry continues to be sensitive to disruption by increases in imports which, as is the case with India, are being made available at prices which are substantially below those prevailing in the domestic market.

Although it continues to be the desire of Canada to conclude a mutually satisfactory arrangement with India under the terms of Article 4 of the MFA, bilateral consultations have to date been unsuccessful. The levels of imports involved do not permit further delay in resolving these difficulties. Accordingly, Canadian authorities request that Indian authorities enter into consultations under Article 3 of the MFA concerning blouses and shirts both genders, dresses, skirts and coordinates, women's and girls', and worsted fabric. It is the hope of Canada that our discussions can be successfully concluded at a mutually convenient date.