

GENERAL AGREEMENT ON TARIFFS AND TRADE

Textiles Surveillance Body

Original: English/
French

ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Notification under Article 4:4

Amendment to the Agreement between Canada and Malaysia

The Textiles Surveillance Body has received a notification from Canada of a new bilateral agreement with Malaysia concluded under Article 4 of the Arrangement.^{1/}

The TSB, pursuant to its procedure regarding bilateral agreements notified under Article 4^{2/}, has examined the relevant documentation and is circulating the text of the notification to the participating countries.^{3/}

^{1/} A note on the discussion by the TSB of earlier restrictive measures taken by Canada, under Article 3:5 of the Arrangement, in respect of worsted spun acrylic yarn imported from Malaysia, is contained in COM.TEX/SB/429.

^{2/} See COM.TEX/SB/35, Annex B.

^{3/} Comments by the TSB are noted in document COM.TEX/SB/575.

MEMORANDUM OF UNDERSTANDING
BETWEEN THE GOVERNMENT OF CANADA AND THE GOVERNMENT OF MALAYSIA
RELATING TO THE EXPORT FROM MALAYSIA OF CERTAIN TEXTILES
AND TEXTILE PRODUCTS FOR IMPORT INTO CANADA

INTRODUCTION

1. This Memorandum of Understanding (MOU) sets out the arrangement that has been agreed between the Government of Canada as represented by the Department of Industry, Trade and Commerce (hereinafter referred to as the Canadian authority) and the Government of Malaysia as represented by the Ministry of Trade and Industry (hereinafter referred to as the Malaysian authority) regarding the export of certain textile and clothing products from Malaysia for import into Canada.

2. This arrangement has been made having regard to the Arrangement Regarding International Trade in Textiles (hereinafter referred to as "the ITA") and in particular to Article 4 thereof, and to the Protocol extending the said Arrangement.

COVERAGE AND RESTRAINT LIMITS

3. During the time this arrangement is in force both of the parties agree that the export of the textile and clothing products set out in Annex A to this MOU from Malaysia to Canada will be executed by the Malaysian authority within the mutually agreed quantitative limits.

4. For the purposes of classifying textile and clothing products in the appropriate category, the definitions and notes set out in Annex A should apply.

RESTRAINT PERIODS

5. This arrangement will be effective for two (2) calendar years starting on the 1st of January 1980 and ending on the 31st of December 1981.

6. In this arrangement, "restraint period" means any period of twelve consecutive months commencing on the 1st of January during the life of this arrangement.

ADMINISTRATION

7. The parties agree that the quantitative limits established under this arrangement will be managed under a system of control, the details of which are set out in Annex B to this arrangement.

SWING

8. Subject to the specific limitations set out in Annex A, any quantitative limit shown therein may be exceeded by the percentage shown in column (e) thereof provided that an equivalent amount is deducted from any other quantitative limit shown therein.

9. For the purpose of implementing these swing provisions the conversion factors shown in column (d) of Annex A will apply.

CARRYOVER - BORROW/FORWARD

10. Following notification to the Canadian authority of the quantities involved, portions of any quantitative limit set out in Annex A which are not used during any restraint period may be carried over and added to the corresponding quantitative limit for the following restraint period within the higher percentage limit set out in column (f) of the Annex.

11. Any quantitative limit may be increased within the lower percentage limit set out in column (f) of Annex A by an amount advanced from the corresponding quantitative limit for the following restraint period. The quantitative limit for the following restraint period will be reduced by an amount equal to the amount so advanced.

12. Notwithstanding the foregoing, the carryover and borrow-forward provisions may be used in combination only up to the higher percentage limit set out in column (f) of Annex A.

EXCHANGE OF STATISTICS

13. The two parties agree to exchange all useful information concerning their mutual trade in clothing and textiles in order to ensure the successful implementation of this arrangement.

14. The Malaysian authority agrees to furnish the Canadian authority with precise statistical information, on a monthly basis, of all export licences issued by them for all categories of clothing and textile product exports to which this arrangement applies.

CONCENTRATION

15. The Malaysian authority will endeavour to space out as evenly as possible over each of the restraint periods the exports of all clothing products for which quantitative limits may be established under this arrangement, due account being taken of seasonal factors.

CONSULTATION

16. Each party agrees at the request of the other party to enter promptly into consultations with each other on any problems arising from the application of this arrangement.

17. Further, in view of the desire of both parties to avoid, on the one hand, real risks of market disruption in Canada and, on the other hand, disruption to the textile and clothing trade of Malaysia, and having full regard to the need for equitable treatment of participating countries in the ITA, the following specific consultation procedures will apply to the trade in clothing or textile products not specifically provided for in this arrangement.

18. The Canadian authority may request consultations with the Malaysian authority with a view to reaching agreement on an appropriate level of restraint for any clothing or textile products not specifically provided for in this arrangement whenever, in the view of the Canadian authority, conditions in the Canadian market are such that a limitation on further trade in any such clothing or textile products may be necessary to eliminate real risk of market disruption.

19. The request for such consultation shall be accompanied within 21 days by a statement of the market conditions in Canada, which, in the opinion of the Canadian authority make necessary the request for consultations. The statement shall include data in respect to the existence of real risk of market disruption.

21. Until such time as a mutually satisfactory conclusion has been reached, the Malaysian authority undertakes, if so requested by the Canadian authority, to limit shipments from the date on which Canada requests consultations, in order to ensure that exports of the products in question to Canada do not exceed, based on an annual rate, the level of 106% of the exports recorded in the twelve-month period ending two months before the month in which the request for consultation was made. Should, in the opinion of the Malaysian authority, the application of these provisions give rise to difficulties causing hardship to the commercial interest involved, the Malaysian authority may request consultations to which the Canadian authority will respond promptly.

21. The parties will consult following the communication of the statement referred to in paragraph 19 above and will use their best efforts to reach a mutually satisfactory conclusion within 30 days of the communication.

EQUITY

22. If, having regard to the provisions of the ITA, either party considers that it is being placed in an inequitable position in respect of trade in textile and clothing products as compared with a third country, that party may seek consultations with the other with a view to taking appropriate remedial action.

RE-EXPORT

23. The Canadian authority shall so far as possible, inform the Malaysian authority when imports into Canada of textile products subject to these arrangements are subsequently re-exported from Canada. Where such re-exports have been debited by the Malaysian authority from quantitative limits, the Malaysian authority may then credit the amounts involved to the appropriate quantitative limits.

HANDLOOM PRODUCTS

24. With reference to Article 12(3) of the ITA, this arrangement shall not apply to bona fide handmade clothing produced from handloomed fabric, or to bona fide batik fabrics or clothing products, as defined in Annex C when accompanied on importation by a certificate validated by the competent Malaysian authorities. A sample certificate is contained in Annex C.

25. Either Government may request consultations in respect to any aspect of the trade in such handloom products whenever it considers such consultations necessary. Consultations will begin within thirty days of the request of such consultations with a view to reaching a mutually acceptable conclusion within one month at the latest.

REVISIONS & TERMINATION

26. Either party may at any time propose modifications to this arrangement or terminate it provided that notice to such proposal of termination is given to the other party at least 90 days before the expiry of any restraint period under this arrangement; in the event of a notice to terminate, the present arrangement will come to an end at the expiry of the restraint period in which the notice is given.

FINAL PROVISIONS

27. Annexes A, B and C to this arrangement and letters of exchange between the two parties shall form an integral part thereof.

28. This Memorandum of Understanding will become effective on an exchange of letters between the two Governments confirming their acceptance of this arrangement and will apply for the two (2) calendar year periods commencing on the 1st of January, 1980 and terminating on the 31st of December, 1981 subject to the right of either party to terminate it at the expiry of any restraint period following ninety (90) days written notice to the other.

ANNEX A

(a) Item No	(b) Description of Product	(c) Restraint Level(in pieces)	(d) Conversion Factor	(e) Swing	(f) Carryover/ Borrow Forward
1.	Shirts with tailored collars, Men's & 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 front opening which may include a zipper. Included are all men's and boys' shirts meeting this description whether exported separately or as part of a set.	1980: 757,000 1981: 791,065	2.10	7%	11% of which not more than 6% shall be borrow forward.

Footnotes

- (1) 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.
- (2) Partially manufactured shirts, i.e. shirts which have been cut and sewn, or otherwise assembled, but which require further manufacture or processing, are also included in this item.
- (3) The restraint limit in column (c) may not be increased by more than 15% by the combined use of swing, carryover and borrow forward.

ANNEX A (cont'd)

(a) Item No	(b) Description of Product	(c) Restraint Level (in pieces)	(d) Conversion Factor	(e) Swing	(f) Carryover/ Borrow Forward
2.	Blouses and Shirts, women's and girls' children's and infants' wholly or mainly by weight of cotton, man-made fibres or wool, or blends thereof, knitted or woven, being garments with complete or partial front or back opening, covering the upper part of the body, excluding underwear and jackets.	1980: 668,000 1981: 708,080	1.70	7%	11% of which not more than 6% shall be borrow forward.

Footnotes:

- (1) Partially manufactured shirts and blouses, i.e. shirts and blouses which have been cut and sewn, or otherwise assembled, but which require further manufacture or processing, are also included in the above item.
- (2) Children's and infants' garments are 0-6x.
- (3) Swing is permitted from adult sizes to children and infant sizes at a 3 to 5 ratio.
- (4) The restraint limits in column (c) may not be increased by more than 15% by the combined use of swing, carryover and borrow forward.

ANNEX A (cont'd)

(a) Item No	(b) Description of Product	(c) Restraint Level (in lbs)	(d) Conversion Factor	(e) Swing	(f) Carryover/ Borrow Forward
3.	All types of machine and hand-knitting acrylic yarn containing 50% or more by weight of acrylic fibre, except those yarns composed entirely of fibres not exceeding 2 1/2 inches in length.	1980: 200,000 lbs 1981: 212,000 lbs	Not applicable	Not applicable	11% of which not more than 6% shall be borrow forward.

ANNEX B

AGREED DETAILS OF CONTROL SYSTEM

As agreed between the parties of this arrangement, the administration of exports from Malaysia and imports into Canada of those textile and clothing products set out in Annex A will be based on a system of control applied by the Malaysian authority and the Canadian authority. The details of the said system of control are set out below.

The Canadian authority will accept imports of textile and clothing products referred to above on submission of the importer's application together with the export licence issued by the Malaysian authority.

All shipments valued at less than \$250 (Canadian) f.o.b. do not require an export licence.

The export licences issued by the Malaysian authority in respect of products subject to restraint under this arrangement will specify and contain:

1. destination
2. serial number
3. importer's name and address
4. exporter's name and address
5. category and description of product
6. quantity in the units as designated in the arrangement and, where the quantity is expressed other than in (weight) (sq. yds.) the equivalent (weight) (sq. yds.) calculated in accordance with the conversion factors set out in Annex I
7. certification by the Malaysian authority that the quantity has been debited against the agreed ceiling for exports to Canada.

The Canadian authority will not raise difficulties in the event of a discrepancy between the (weight) (sq. yds.) (units) indicated in the export licence and the shipment or import (weight) (sq. yds.) (units) provided it is within reasonable limits.

The Canadian authority will deny entry to any shipment if any discrepancy exists between the actual product received and the product indicated on the export licence.

In the event of total or partial withdrawal of an export licence, the Malaysian authority will notify the Canadian authorities of such total or partial withdrawal. The Canadian authority will take the appropriate measures in accordance with existing administrative provisions.

The Malaysian authority will supply the Canadian authority with the periodic returns provided for in paragraph 13 and 14 of this arrangement showing the details referred to in (5) and (6) above, covered by the export licences issued against the quantitative limits for all categories of clothing and textile products exported to Canada.

ANNEX C

1. The exemption provided for in paragraph 24 of this MOU in respect of cottage industry products will apply only to the following products:

- a) garments or other textile articles of a kind traditionally made in the cottage industry, having been cut, sewn and embroidered, if applicable, solely by hand from handloom textile fabrics without the aid of any machine. Handloom textile fabrics are fabrics, which have been woven on looms operated solely by hand or foot and are of a kind traditionally made in the cottage industry.
- b) traditional Malaysian handicraft batik fabrics and clothing products made by hand from such batik fabrics.

Handicraft batik is produced by a process which involves the following three operations, carried out by hand, for each of the colours or shades applied to the fabric:

- a) Waxing (Application of wax by hand to the fabric)
- b) Dyeing/Printing (Application of colour either by the traditional cottage method of dyeing, or hand-printing)
- c) Dewaxing (Boiling the fabric to remove the wax)

2. The exemption will apply only in respect of products covered by a certificate issued by the competent Malaysian authorities conforming to the specimen attached to this Annex.

3. Such certificates will indicate the grounds on which the exemption is based and will be accepted by Canadian authorities provided that they are satisfied that the products concerned conform to the conditions set out in this Annex.

1. Exporter (name, full address)	2. CERTIFICATE IN REGARD TO HANDLOOMS, TEXTILE HANDI- CRAFTS AND TRADITIONAL TEXTILE PRODUCTS OF THE COTTAGE INDUSTRY	
3. Importer (name, full address)	4. Country of Origin	5. Country of Destination
6. Place and date of shipment - Means of transport	7. Supplementary details	
8. Marks and numbers - Number and kind of packages - DESCRIPTION OF GOODS	9. Quantity	10. FOB Value

11. Certification by competent authority

I, the undersigned, certify that the consignment described above includes only the following textile products of the cottage industry of Malaysia:

- garments or other textile articles of a kind traditionally made in the cottage industry, having been cut, sewn and embroidered, if applicable, solely by hand from handloom textile fabrics without the aid of any machine.
- traditional Malaysian handicraft batik fabrics and clothing products made by hand from such batik fabrics.

Competent authority (name, full address,
country)

At _____, On _____