

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

COM.TEX/SB/876

17 August 1983

Special Distribution

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Textiles Surveillance Body

Original: English

## ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

### Notification under Article 4:4

#### Bilateral Agreement between Canada and the Philippines

The Textiles Surveillance Body has received from Canada a notification of a new bilateral agreement with the Philippines, concluded under Article 4 of the MFA, valid for the period 1 January 1982 to 31 December 1986.<sup>1</sup>

The TSB, pursuant to its procedures regarding bilateral agreements notified under Article 4<sup>2</sup>, has examined the relevant documentation and is forwarding the text of the notification to participating countries for their information.<sup>3</sup>

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<sup>1</sup>The previous bilateral agreement is contained in COM.TEX/SB/443

<sup>2</sup>See COM.TEX/SB/35, Annex B.

Canadian Note

Note No. 82-175

The Canadian Embassy presents its compliments to the Ministry of Foreign Affairs and has the honour to refer to discussions between the delegations of the Government of Canada and the Government of the Republic of the Philippines held in Manila from November 2 to 8, 1981, concerning trade in selected textiles and textile products between the Philippines and Canada.

The Embassy has further the honour to refer to the Memorandum of Understanding which was initialled and referendium in Manila on November 8, 1981, as a result of these discussions.

Accordingly, the Embassy has the honour to propose to the Ministry of Foreign Affairs that this Note and the reply thereto confirming the Memorandum of Understanding which will constitute an arrangement between our two Governments which will enter into force on January 1, 1982, and remain in force for five calendar year periods until December 31, 1986, subject to the right of either Government to terminate it at the end of any calendar year period by written notice to the other given not less than ninety days prior to the end of any such restraint period.

The Canadian Embassy avails itself of this opportunity to renew to the Ministry of Foreign Affairs the assurances of its highest consideration.

MANILA, November 18, 1982

Philippines Note

Manila, 21 December 1982

Excellency,

I have the honor to acknowledge the Embassy's Note No. 82-175 dated 18 November 1982, which reads as follows:

"The Canadian Embassy presents its compliments to the Ministry of Foreign Affairs and has the honour to refer to discussions between the delegations of the Government of Canada and the Government of the Republic of the Philippines held in Manila from November 2 to 8, 1981, concerning trade in selected textiles and textile products between the Philippines and Canada.

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The Canadian Embassy.../

His Excellency  
Edward Lucien Bobinski  
Ambassador Extraordinary and Plenipotentiary  
Canadian Embassy  
Makati, Metro Manila

"The Canadian Embassy avails itself of this opportunity to renew to the Ministry of Foreign Affairs the assurances of its highest consideration."

I have further the honor to confirm on behalf of the Government of the Republic of the Philippines the foregoing arrangements and to agree that the Embassy's Note and this Note shall be regarded as constituting an agreement between the two Governments which will enter into force on January 1, 1982, and remain in force for five calendar year periods until December 31, 1986.

I avail myself of this opportunity to renew to Your Excellency the assurances of my highest consideration.



Minister for Foreign Affairs

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

Introduction

1. This Memorandum of Understanding (MOU) sets out the arrangements that have been agreed between the Governments of Canada and the Philippines regarding the export of certain textiles and textile products from the Philippines for import into Canada.

2. These arrangements have been made having regard to the Arrangement Regarding International Trade in Textiles (hereinafter referred to as "the MFA") and in particular to Article 4 thereof, and to the Protocol extending the said Arrangement.

Restraint Periods

3. These arrangements will apply for five separate calendar periods commencing on 1 January 1982 and ending on 31 December 1986.

Restraint Levels

4. Except as provided for in paragraphs 16 to 21 below, the Government of the Philippines will restrain its exports to Canada of the textiles and textile products described in Annex I for the calendar year commencing 1 January 1982 to the limits specified therein.

5. Except as provided for in paragraphs 16 to 21 below, for the four calendar year periods commencing, 1 January 1983 and ending on 31 December 1986, the Government of the Philippines will restrain its exports to Canada of the textile products described in Annex I to the limits specified therein advanced on an annual basis by the growth rate specified in column (D).

Coverage

6. For the purpose of these arrangements, the expression "textiles" will have the meaning ascribed to the expression in Article 12.1 of the MFA.

7. With reference to Article 12.3 of the MFA, traditional folklore items produced by the cottage industry of the Philippines will be exempted from restraint provided that such items are properly certified in accordance with the provisions contained in Annex III.

8. For the purpose of classifying textiles and textile products in the appropriate category, the definitions and notes set out in Annex II will apply.

#### Administration

9. These arrangements will be implemented on the basis of the export allotment system operated by the Government of the Philippines.

10. The Government of Canada will admit imports of the textiles and textile products described in Annex II and subject to a specific quantitative limit in Annex I, provided such imports are covered by a copy of a Philippine "Export License" as per specimen in Annex IV endorsed and issued by the proper Philippine authority to the effect that the imports covered by the license have been debited to the applicable quantitative limit as set out in Annex I.

11. The export licenses issued by the Government of the Philippines in respect of products subject to restraint levels as specified in Annex I of this arrangement will contain the following information:

1. Country of destination
2. Country of origin
3. License number
4. Importer's name and address
5. Exporter's name and address
6. Category number and description of product as set out in Annex I of the MOU
7. Quantity expressed in the units as designated in Annex I of the MOU. If more than one set of measure is established, all should be indicated; where the quantity is expressed other than as designated in the MOU, the equivalent weight, units or m<sup>2</sup> should be calculated in accordance with the conversion factors set out in Annex I
8. F.O.B. or C.I.F. value except for non-commercial consignments
9. Certification by the Philippine authority that the quantity has been debited against the agreed restraint level for exports to Canada.

12. In the event any quantity covered by an export license is not shipped, the Government of the Philippines will notify the Government of Canada of such quantity which may be credited by the Government of the Philippines to the appropriate restraint level.

13. For the purpose of implementing these arrangements, date of export from the Republic of the Philippines will be used to determine within which restraint period any textile or textile products subject to these arrangements will be counted.

14. The Government of the Philippines will endeavour to ensure that exports of all textiles and textile products which are listed in Annex II and are subject to restraint levels as per Annex I are spaced out as evenly as possible during each restraint period, due account being taken of seasonal factors and of normal channels of trade.

15. If, on the basis of export data provided by the Government of the Philippines, the Government of Canada ascertains that there is a sharp and substantial increase in the concentration of exports of textiles or textile products, other than that attributable to normal seasonal factors, it may request consultations in accordance with the provisions of paragraphs 28 and 29 with a view to remedying this situation.

#### Swing

16. Subject to the specific limitations set out in Annex I, and following notification to the Canadian authorities, any restraint level may be exceeded by the percentage shown in column (E) provided that an equivalent amount is deducted from any other restraint level. When any restraint level is exceeded by the application of swing, the Government of the Philippines will so indicate in subsequent monthly returns.

17. For the purpose of implementing the swing provisions in paragraph 1, the conversion factors shown in Annex I will apply.

#### Carry-Over/Carry-Forward

18. Following notification to the Government of Canada of the quantities involved, portions of any quantitative limit set out in Annex I which are not used during the 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 Annex I.

19. Any restraint level may be increased within the lower percentage limit set out in Column (F) of Annex I by an amount advanced from the corresponding restraint level for the following restraint period. The restraint level for any such following restraint period will be reduced by an amount equal to the amount so advanced.

20. Notwithstanding the foregoing, the carry-over/carry-forward provisions may be used in combination only up to the higher percentage limit set out in column (F) of Annex I.

21. Portions of any restraint limit which remain unused from the restraint period 1 January 1981 to 31 December 1981 (as covered by the preceding agreement) may, after notification, be carried over and added to the appropriate restraint level for the restraint period commencing 1 January 1982. Such carry-over will be within the higher percentage limit set out in column (F) of Annex I.

#### Exchange of Statistics

22. Both Governments will exchange such statistical data relating to exports of textiles and textile products not subject to these arrangements as may reasonably be required.

23. The Government of the Philippines will provide the Government of Canada with monthly statistics relating to exports of the textiles and textile products listed in Annex II which are licensed for export to Canada and debited against restraint levels for each restraint period.

24. When submitting the monthly statistics mentioned in paragraph 23, the Government of the Philippines undertakes to include the following information:

- a. Category and description of goods as set out in Annex I.
- b. Original and adjusted restraint level for the restraint period.
- c. Total quantity issued for the restraint period to date in the units designated in Annex I.
- d. Notification of any utilization of swing, carry-over or carry-forward provisions and the quantities involved as provided for in paragraphs 16-21 above.

This information should be provided as soon as possible following the end of each month.



25. The Government of Canada will provide the Government of the Philippines with monthly statistics relating to import permits issued for imports originating in the Philippines of the textiles and textile products listed in Annex II and total imports from other suppliers in respect of the products subject to these arrangements.

#### Equity

26. Should either Government consider, as a result of these arrangements, that it is placed in an inequitable position compared with any third party, that Government may request the other to consult as provided in paragraphs 28 and 29 with a view to implementing appropriate remedial measures.

#### Re-Exports

27. The Government of Canada will, so far as possible, inform the Government of the Philippines when imports into Canada of textiles and textile products subject to these arrangements are subsequently re-exported from Canada. Where such re-exports have been debited by the Philippine Government to quantitative limits the Government of the Philippines may then credit the amount involved to the appropriate quantitative limits.

#### Consultations

28. Either Government has the right to request consultations with the other Government on any matter arising from the implementation or operation of these arrangements or on any matter germane thereto. Such consultations will be governed by the following:

- Any request for consultations will be notified in writing to the other Government;
- The request for consultations will be accompanied by or followed within a reasonable period (and in any case not later than twenty-one days following the request) by a statement setting out the reasons and circumstances which, in the opinion of the requesting Government, justify the submission of such a request;
- The other Government will accept such a request and such consultations will be held within thirty days of the date of notification of the request;
- Both Governments will enter into consultations with a view to reaching a mutually acceptable conclusion within thirty days of the date on which actual consultations commence.

29. Any consultations held under these provisions will be approached by both Governments in a spirit of cooperation and with a desire to reconcile the differences between them.

### Consultation Levels

30. 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 trade in textiles and textile products of the Philippines, and having regard to the need for equitable treatment of participating countries in the MFA, the following procedures will apply to those items subject to consultation levels in Annex I.

31. The Government of Canada may request consultations in accordance with the provisions of paragraphs 28 and 29 with a view to reaching agreement on an appropriate specific level of restraint for any textiles or textile products subject to a consultation level whenever, in the view of the Government of Canada, conditions in the Canadian market are such that a limitation on further trade in any such textiles or textile products may be necessary to eliminate real risk of market disruption. The Government of Canada undertakes not to seek consultations until such time as exports in any one calendar year of the product concerned have reached the consultation level specified in Annex I. The Government of Canada further undertakes not to seek a restraint at a level less than either 115 per cent of the consultation level, or 115 per cent of the level of exports in the item during the previous calendar year, whichever level is higher.

32. Until such time as a mutually satisfactory conclusion has been reached, the Government of the Philippines undertakes, if so requested by the Government of Canada, 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 during that calendar year a level of 115 per cent of the exports during the previous year or 115 per cent of the consultation level, whichever is higher.

33. In seeking to establish a new restraint level for the balance of any calendar year period, the Government of Canada will give full and sympathetic consideration to the treatment of goods for which there are outstanding bona fide contracts and letters of credit.

34. In order to ensure the effective operation of paragraphs 30 to 33 above, the Government of the Philippines undertakes to control the shipment of goods subject to consultation levels by means of the export control system operated by the Government of the Philippines.

35. The Government of Canada will admit imports of the textiles and textile products of Philippine origin subject to these provisions where such imports satisfy all normal conditions of entry and are accompanied by a copy of a Philippine export license endorsed and issued by the proper Philippine authority.

36. The Government of the Philippines will notify the Government of Canada immediately upon receipt of any application for an export license for any textile or textile product subject to a consultation level in exceptionally large amounts or unusual concentrations, once the consultation level is reached.

#### MFA Rights

37. Each Government reserves its rights under the MFA with respect to textiles and textile products not subject to these arrangements. For textiles and textile products covered by these arrangements, it is understood that either Government may have recourse to any or all of the provisions of the MFA, save that the Government of Canada waives its rights under Article 3 of the MFA with respect to products subject to specific quantitative limits as per Annex I as long as this MOU remains in effect.

#### Revisions and Termination

38. Either Government may at any time propose revisions to the terms of these arrangements having regard to the MFA and to the Protocol extending it.

39. Either Government may terminate these arrangements effective at the end of any restraint period by written notice to the other Government, to be given at least ninety days prior to the end of any restraint period.

#### Annexes


40. The annexes to this Memorandum of Understanding will be considered an integral part of it.

Final Provisions

41. This Memorandum of Understanding will become effective on 1 January 1982 subsequent to an exchange of notes between the two Governments confirming their acceptance of these arrangements.

Manila, the Philippines  
November 5, 1981

For the Government of Canada



C. D. ARTHUR

For the Government of the  
Republic of the Philippines



ALFREDO PIO DE RODA, JR.

RESTRAINT AND CONSULTATION LEVELS

(A) <u>Item Number</u>	(B) <u>Product Description</u>	(C) <u>Restraint Level</u>	(D) <u>Growth</u>	(E) <u>Swing</u>	(F) <u>Carry-Over/ Carry-Forward</u>	(G) <u>Conversion Factor (m<sup>2</sup>)</u>
Group I: Apparel						
1.	Winter Outerwear MBWG (1)	70,000	6%	7%	11% (6%)	3.20
2.	Trousers, Shorts, Overalls, Coveralls MBWG (2)	500,000	6%	7%	11% (6%)	1.90
3.	Shirts with tailored collars MB (3)	200,000	6%	7%	11% (6%)	1.90
4.	Shirts, Blouses, T-shirts and Sweat- shirts MBWG (4)	600,000	6%	7%	11% (6%)	1.70
5.	Sweaters MBWG (5)	200,000	consultation level			
6.	Sleepwear MBWG (6)	300,000	consultation level			
7.	Dresses, Skirts, Suits, Coordinates and Outer- wear Sets MBWG (7 & 8)	500,000	6%	7%	11% (6%)	3.20
8.	Foundation Garments WG (Brassieres) (ex 11)	1,600,000	6%	7%	11% (6%)	0.25
9.	Underwear MBWGCI (9)	500,000	6%	7%	11% (6%)	0.50
10.	Coats, Jackets MBWG (ex 12)	350,000	6%	7%	11% (6%)	3.20

<u>(A)</u> <u>Item Number</u>	<u>(B)</u> <u>Product Description</u>	<u>(C)</u> <u>Restraint Level</u>	<u>(D)</u> <u>Growth</u>	<u>(E)</u> <u>Swing</u>	<u>(F)</u> <u>Carry-Over/ Carry-Forward</u>	<u>(G)</u> <u>Conversion Factor (m<sup>2</sup>)</u>
11.	Fine Suits MB (13)	30,000	6%	7%	11% (6%)	4.50
12.	Children's and Infants' Wear 0-6x (ex 1, 2, 3, 4, 5, 6, 7, 8, 12)	2,500,000	8%	7%	11% (6%)	1.00
	A. of which Winter Outerwear 0-6x (ex 1)	30,000	8%	7%	11% (6%)	2.00
Group II: 13.	Acrylic Yarn (14)	120,000 kgs.		consultation level		
14.	Handbags (15)	300,000 units		consultation level		

Annex II

Definitions and Descriptions of Terms used  
in Annex I

General Notes

1. Gender - Unless otherwise indicated, all definitions of garments apply to garments for men, boys, women, girls, children and infants. Children's and infants' garments include all garments sized 0-6x.
2. All garment items include partially manufactured garments, i.e., garments which have been cut and sewn, or otherwise assembled, but which require further manufacture or processing.
3. Garments of indeterminate gender, including unisex garments, are to be counted as of male gender.
4. "Wholly or mainly" is 50 percent or more in all items unless otherwise indicated.

Description of Product Categories

GROUP 1

1. Winter Outerwear Garments

Winter Outerwear Garments (commonly referred to as snowsuits, snow-mobile suits, ski-suits, ski pants and snow-pants, and jackets, and similar jacket-type garments) that have an outer shell manufactured substantially by surface area with woven fabrics and that are lined and designed to protect the wearer against cold, e.g., quilted linings, down or fibre filling, etc. but not plain acetate or viscose lining, wholly or mainly by weight of cotton, man-made fibres or wool, or blends thereof. Excluded are unlined outerwear; all coats three-quarter length or longer, that is, to the knee or below the knee; garments commonly known as squall jackets, windbreakers or similar jacket-type garments where there is no thermal insulation; and ski-pants and cross-country ski-suits which do not meet the above description (e.g. constructed entirely from knitted fabric).

Note: A unit comprises garments which have been designed to be sold as a set, e.g. matching or co-ordinated ski-jackets and ski-pants comprising a ski-suit will be counted as one unit if packed and shipped as a set. Vests are counted separately.

2. Trousers, Shorts, Overalls and Coveralls

Trousers, pants, slacks and jeans wholly or mainly by weight of cotton, man-made fibres, or wool or blends thereof, being garments which do not extend above the waist but extend to the knee or below. Included are jodhpurs, knickers, footless tights, gauchos.

Note: Men's and boys' garments in this item manufactured of fabric containing 5 percent or more by weight of wool or hair are considered to be woollen garments.

Overalls and coveralls wholly or mainly by weight of cotton, man-made fibres or wool, or blends thereof. Overalls and coveralls are one-piece garments, as either pants or shorts but extending above the waist in the form of a bib (or permanently affixed straps) or other structure which partially or fully covers the upper part of the body. One-piece jumpsuits are included.

Outershorts, wholly or mainly by weight of cotton, man-made fibres or wool, or blends thereof. Shorts are garments similar to pants but not extending to the knees.

3. Shirts, Tailored Collar

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 a partial front opening which may include a zipper and 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: 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.



4. Shirts, Blouses, T-shirts, Sweatshirts

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 which may have a complete or partial front or back opening covering the upper part of the body, excluding underwear, jackets, t-shirts, sweat-shirts and sweaters.

Shirts, men's and boys', children's and infants', other than with tailored collars, including full-fashioned collars, wholly or mainly by weight of cotton, man-made fibres or wool, or blends thereof. A full-fashioned collar consists of one piece knitted to shape collar. For a full description of "shirts" see description for Item 3 above.

T-shirts, wholly or mainly by weight of cotton, man-made fibres or wool, or blends thereof. T-shirts are knitted garments which may have collarless front opening or no front opening covering the upper part of the body of construction 19 cut or finer, i.e., 19 or more vertical stitches per inch.

Sweatshirts, wholly or mainly by weight of cotton, man-made fibres or wool, or blends thereof, being garments at least one side of which is brushed or fleeced, covering the upper part of the body. Sweaters are not included.

Note: The definitions of T-shirts and sweatshirts for men and boys are subject to the over-riding definitions of men's and boys' shirts with tailored or full-fashioned collars.

5. Sweaters, Pullovers and Cardigans

Sweaters, pullovers, cardigans (including knitted ponchos), wholly or mainly by weight of cotton, man-made fibres or wool, or blends thereof, being knitted or crocheted garments covering the upper part of the body and which may be of any length of construction coarser than 19 cut, i.e. less than 19 vertical stitches per inch. Included are such items with co-ordinating or matching accessories, e.g. hats, scarves, gloves, mittens, booties, etc. A garment in this item when shipped with such co-ordinating or matching accessories will be considered a set and counted as one unit.

6. Sleepwear and Bathrobes

Pyjamas and sleepwear, wholly or mainly by weight of cotton, man-made fibres or wool, or blends thereof, being garments normally worn for sleeping.

Bathrobes, dressing gowns and housecoats, wholly or mainly by weight of cotton, man-made fibres or wool, or blends thereof, being garments other than sleepwear normally worn in privacy, including bed jackets and negligees.

7. Dresses and Skirts

Dresses, women's and girls', children's and infants' wholly or mainly by weight of cotton, man-made fibres, or wool, or blends thereof. Dresses are one-piece garments extending above the waist, including jumpers, evening gowns, dusters and house dresses (other than sleepwear).

Skirts, women's and girls', children's and infants', wholly or mainly by weight of cotton, man-made fibres, or wool, or blends thereof. Skirts are one-piece garments not extending above the waist including golf skirts, kilts (including men's and boys') and culottes.

8. Suits, Coordinates and Outerwear Sets

Coordinates or matching sets and blazers, men's and boys', children's and infants', wholly or mainly by weight of cotton, man-made fibres or wool, or blends thereof packed, shipped and sold as a set and not covered by any other definition in this annex.

Suits, coordinates or matching sets and blazers, women's and girls, children's and infants', wholly or mainly by weight of cotton, man-made fibres or wool, or blends thereof. Suits are garments comprising two or more matched or coordinated pieces, covering both the upper and lower parts of the body, packed and shipped and sold as a set. Coordinates include: coat or jacket and dress sets, blouse and pant or skirt sets, shirt and skirt or pant sets, jacket and pant or skirt sets, coat and pant or skirt sets.

Miscellaneous Garments, children's and infants' garments not meeting any of the description relating to children's and infants' wear contained elsewhere in this list, including sunsuits, christening sets, pram sets, creepers, rompers, crawlers, diaper sets, sleepers, and blanket sleepers where the legs of the garments extend to completely encase the feet.

Athletic sets or suits, wholly or mainly by weight of cotton, man-made fibres or wool, or blends thereof and are garments normally comprising two or more matched or coordinated pieces covering both the lower and upper parts of the body, packed and shipped and sold as a set, normally worn for participation in athletic activities and not covered by any other definition in this list including leotards covering the trunk of the body, judo sets, track suits, jogging suits, cross country ski-suits (subject to the description in Item 1).

Leisure wear, coordinates or sets not defined by any definitions in this annex. These may include shortsets, beachwear, beach-pyjamas, lounging pyjamas, cabana sets, caftans and loungewear, nes.

9. Underwear

Underwear, wholly or mainly by weight of cotton, man-made fibres or wool or blends thereof. Included are slips and bloomers.

Note: In the case of underwear sets, each piece is to be counted separately.

10. Swimwear

Swimwear, wholly or mainly by weight of cotton, man-made fibres or wool, or blends thereof, being garments normally worn for swimming and bathing. Included are bathing trunks and bathing suits.

Note: Garments fitting this description which consist of two (or more) pieces must be matched or co-ordinated, and packed and shipped as a unit, otherwise they are classified under the appropriate item elsewhere in this list as individual garments. Co-ordinated or matched sets comprising garments in addition to those described as meeting the criteria of this item, e.g. beachwear sets, are classified as sets and co-ordinates in Item 8.

11. Foundation Garments

Foundation Garments, wholly or mainly by weight of cotton, man-made fibres or wool, or blends thereof. Included are: Brassieres, girdles, corselettes, corsets and panty girdles.

12. Coats, Jackets and Rainwear

Jackets, wholly or mainly by weight of cotton, man-made fibres, or wool, or blends thereof. Jackets are outerwear garments covering the upper part of the body not extending to the knee, including woven ponchos, vests, boleros, but excluding garments covered elsewhere in this Annex.

Overcoats and topcoats, wholly or mainly by weight of cotton, man-made fibres, or wool, or blends thereof being outerwear garments extending to the knee or below excluding rainwear.

Professional and shop coats, wholly or mainly by weight of cotton, man-made fibres, or wool, or blends thereof. Professional and shop coats are one-piece garments including barber coats, clinical coats, medical coats, laboratory coats, and surgical gowns.

Rainwear, wholly or mainly by weight of cotton, man-made fibres or wool, or blends thereof. Rainwear are garments of coated, impregnated or treated fabrics, normally worn to protect against rain (including rainsuits, sets, capes and ponchos).

13. Fine Suits

Fine Suits, sportscoats, and blazers, men's and boys', children's and infants', wholly or mainly by weight of cotton, man-made fibres or wool, or blends thereof.

Note: The suit-jacket, sportscoat or blazer may include lapels, lining, shoulder padding, and front stiffening and would normally be worn over another outer-garment.

Note: A unit is either a jacket, sportscoat or a suit. A suit is a two-or-three piece garment consisting of matching or co-ordinated jacket/pants or jacket/vest/pants packed and shipped and sold as a set.

GROUP II

14. Acrylic Yarn

Acrylic yarns include all types of machine and hand-knitting yarns containing 50% or more by weight of acrylic fibre except those yarns composed entirely of fibres not exceeding 2.5 inches (6.35 cm) in length.

15. Handbags

Handbags made of fabrics, wholly or mainly by weight of cotton, man-made fibres, wool or blends thereof, uncoated, with a body area, excluding handles, between 258 and 1226 square centimetres, in the manufacture of which genuine leather and plastic materials may be used as trim and finish, but not as a major component of the shell.

Annex III

Cottage Industry Products

1. The exemption provided for in paragraph 7 of the Memorandum of Understanding in respect of cottage industry products will apply only to the following products:

- a) handloom textile fabrics, containing not more than 50% by weight of man-made fibres, being fabrics woven on looms operated solely by hand or foot and of a kind traditionally made in the cottage industry;
- b) 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 as described above without the aid of any machine; and
- c) traditional folklore and handicraft textile products made by hand in the cottage industry described in paragraph 3 below.

2. The exemption will apply only in respect of products covered by a certificate issued by the competent Philippine authorities conforming to the specimen in Annex V. Such certificates will indicate the grounds on which exemption is based.

3. The following are traditional Philippine products of the cottage industry as provided for in paragraph 1 above:

- a) Batik and Hablon fabrics - hand-woven fabrics of the cottage industry;
- b) Banaue and Muslim cloth - traditional handloom fabrics in multicolors;
- c) Other hand-woven and handloom fabrics of the cottage industry and textile articles made of handloom fabrics;
- d) Garments made from hand-woven and handloom fabrics which involve ethnic designs or are heavily crocheted or hand-embroidered;
- e) Hand-crocheted or hand-embroidered garments, shawls, hats and accessories, including the "catsa group" type garments (heavily hand-crocheted and hand-embroidered work in combination with coarse greige or dyed cotton fabric of batik fabric).

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- f) National costumes; and
- g) Hand-plied or braided and hand-tied macrame handicraft articles.

4. Additional items may be subsequently added to the list by mutual agreement.