

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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COT/31

31 July 1964

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Original: English

## LONG-TERM ARRANGEMENT REGARDING INTERNATIONAL TRADE IN COTTON TEXTILES

### Information Transmitted by Canada

The following communication - concerning the decision of the Canadian Government to apply fixed values to imports of cotton trousers, slacks and shorts from Macao in excess of 15,000 dozen during the year ending 15 August 1964 - has been received by the Executive Secretary from the Canadian Mission for the information of the Cotton Textiles Committee:

"I have the honour to advise you that the Canadian Government has decided to apply fixed values under the legislative authority of Section 40A(7)(c) of the Canadian Customs Act to all imports of cotton trousers, slacks and shorts from Macao in excess of 15,000 dozen during the year ending 15 August 1964. Since imports of these specified goods from Macao already exceeded 15,000 dozen in the period since 16 August 1963, this measure went into effect on 15 June 1964.

"The information given below outlines the factual background against which the Canadian Government decided to apply fixed values to imports of cotton trousers, slacks and shorts from Macao.

"On 8 August 1963 the Canadian Government requested the Government of Portugal to take steps to restrain exports of cotton trousers, slacks and shorts from Macao to Canada. In the following ten months, Canadian officials made repeated efforts to reach agreement with the Portuguese authorities concerning this matter. These efforts were not successful.

"The Canadian Government is aware that in signing the Long-Term Arrangement Regarding International Trade in Cotton Textiles, Portugal specifically excluded its overseas territories including Macao from all the obligations of the Arrangement. However, Article 6(c) of the Long-Term Arrangement imposes an obligation on members to ensure that the participating country's exports shall not be restrained more severely than the exports of any country not participating in the Arrangement which are causing, or threatening to cause, market disruption.

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"Macao is not a traditional supplier of cotton trousers, slacks and shorts to the Canadian market. Imports of these items from Macao first began to enter Canada in October 1962, at a time when certain other countries were applying restraints on their exports of these products to Canada. Since then there has been a sharp and substantial increase in imports of cotton trousers, slacks and shorts from Macao at landed prices which are substantially lower than Canadian goods of comparable quality. There is a continuing threat of disruption to the Canadian market in these items, to which imports from Macao are clearly contributing.

"It is not the intention of the Canadian Government to prevent all imports of cotton trousers, slacks and shorts from Macao. The Canadian Government does, however, wish to ensure that these imports do not enter Canada in such large quantities that other foreign suppliers presently applying restraints on exports of such products to Canada could complain justifiably that Canada was discriminating against them and in favour of Macao and thus failing to fulfil its obligations under the Long-Term Arrangement. The Canadian Government has determined that imports in excess of 15,000 dozen during the year ending 15 August 1964 would leave it open to such charges and would also cause a serious threat of disruption.

"There is no Canadian law which would enable Canadian authorities to regulate imports from Macao in precise quantities. Accordingly, the Canadian Government decided to apply fixed values under the legislative authority of Section 40A(7)(c) of the Canadian Customs Act to all imports of cotton trousers, slacks and shorts from Macao in excess of 15,000 dozen during the year ending 15 August 1964. The Canadian Government's action is consistent with Article 6(c) of the Long-Term Arrangement which provides that if "the operation of the Arrangement is frustrated by trade with countries not party to this Arrangement ..... the participating countries shall consider taking such action as may be consistent with their law to prevent such frustration". It will be noted that in Annex E of the Long-Term Arrangement it is made clear that Section 40A(7)(c) of the Customs Act is the only provision in Canadian law under which Canada can take action to apply the Arrangement."