

GENERAL AGREEMENT ON

RESTRICTED

TARIFFS AND TRADE

COM.TEX/SB/1390*
13 June 1988
Special Distribution

Textiles Surveillance Body

ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Notification under Article 4:4

Bilateral agreement between Canada and China

The Textiles Surveillance Body received a notification from Canada of a bilateral agreement with China for the period 1 January 1987 to 31 December 1991.¹

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

¹The previous bilateral agreement transmitted under Articles 7 and 8 and a modification are contained in COM.TEX/SB/881 and 981.

²See COM.TEX/SB/35, Annex B

³For the TSB's observation on this notification see COM.TEX/SB/1391.

*English only/Anglais seulement/Inglés solamente

Memorandum of Understanding between the Government of Canada and the Government of the People's Republic of China, relating to the export from the People's Republic of China 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 People's Republic of China regarding the export of certain textiles and textile products from the People's Republic of China 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 years commencing on January 1, 1987 and terminating on December 31, 1991.

Restraint Levels

4. Except as provided for in paragraphs 11 to 17 below, the People's Republic of China will restrain its exports (i.e. shipments) to Canada of the textiles and textile products listed in Annex IA, to the limits specified therein for the five calendar year periods commencing January 1, 1987, and ending on December 31, 1991.

Coverage

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

Administration

6. It is understood that these arrangements will be administered on the basis of an export control system operated by the Government of the People's Republic of China.
7. The Government of Canada will accept for entry into Canada imports of the textile and clothing products listed in Annex IA up to the amount set out for each restraint period provided that such imports are covered by a copy of an "Export Licence" as per specimen in Annex III endorsed and issued by the proper authority of the Government of the People's Republic of China to the effect that the imports covered by the licence have been debited to the applicable quantitative limit as set out in Annex IA.

8. The export licences issued by the Government of the People's Republic of China in respect of products subject to restraint levels as specified in Annex IA of this MOU will contain the information as provided in the specimen export licence contained in Annex III.

9. In the event any quantity covered by an export licence is not shipped, either Government may notify the other Government of such quantity which may be credited to the appropriate restraint level.

Orderly Marketing

10. The Government of the People's Republic of China will endeavour to ensure that shipments of all textiles and textile products, subject to restraint levels as per Annex IA, are spaced out as evenly as possible during each restraint period, due account being taken of seasonal factors and of normal channels of trade.

Swing

11. Subject to the specific limitations set out in Annex IA, any restraint level shown may be exceeded by the percentage shown in Column (C) of Annex IB, 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 People's Republic of China will so indicate in subsequent monthly returns.

12. For the purpose of implementing the swing provisions in paragraph 11, the conversion factors shown in column (F) of Annex IB will apply. Swing is not permitted between the clothing and textile categories.

Carry-Over/Borrow Forward

13. Portions of any restraint limit which remain unused from the restraint period commencing January 1, 1986 (as covered by the preceding bilateral arrangement) may, following notification to the Government of Canada, be carried over and added to the appropriate restraint level for the restraint period commencing January 1, 1987. Such carry-over will be within the higher percentage limit set out in Column (D) of Annex IB of this MOU.

14. Following notification to the Government of Canada of the quantities involved, portions of any restraint level set out in Annex IA which are not used during any calendar year of the MOU may be carried over and added to the corresponding restraint level for the following calendar year within the higher percentage limit set out in Column (D) of Annex IB.

15. Any restraint level may be increased within the lower percentage limit set out in column (D) of Annex IB by an amount advanced from the corresponding restraint level for the following calendar year of the MOU. The restraint level for the following calendar year will be reduced by an amount equal to the amount so advanced.

16. Notwithstanding the foregoing, carryover and borrow forward provisions may be used in combination only up to the higher percentage limit set out in Column (D) of Annex IB.

17. Notwithstanding the foregoing, the swing, carry-over and borrow-forward provisions may be used in combination only up to the percentage limit set out in column (E) of Annex IB.

Exchange of Statistics

18. The Government of the People's Republic of China will provide the Government of Canada with monthly statistics relating to exports of the textiles and textile products listed in Annex IA, which are licensed for export to Canada and debited against restraint levels for each restraint period. The Government of the People's Republic of China will also provide monthly statistics for consultation level items.

19. When submitting the monthly statistics mentioned in paragraph 18 for restraint products, the Government of the People's Republic of China undertakes to include the following information:

- a. Category of goods as set out in Annex IA;
- 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 IA;
- d. Notification of any utilization of swing, carry-over or carry-forward provisions and the quantities involved as provided for in paragraphs 11, and 13-17 above.

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

20. The Government of Canada will provide the Government of the People's Republic of China with monthly statistics relating to import permits issued for imports originating in the People's Republic of China of the textiles and textile products listed in the Annex IA along lines similar to the statistics to be provided by the Government of the People's Republic of China pursuant to paragraph 18 above. In addition, the Government of Canada will provide the Government of the People's Republic of China with monthly statistics of total imports from other significant suppliers in respect of textiles and textile products categorized as in Annex IA.

21. The Government of Canada will, so far as possible, inform the Government of the People's Republic of China 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 from a restraint level, both Governments may then credit the amount involved to the appropriate restraint level.

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

Consultations

23. Either Government has the right to request consultations with the other Government on any matter affecting their trade in textiles or textile products. 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 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 sixty 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 sixty days of the date on which actual consultations commence.

24. 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.

25. The Government of Canada may request consultations with the Government of the People's Republic of China with a view to reaching agreement on an appropriate level of restraint for any textiles or textile products not covered by specific restraint levels in this MOU whenever, in the view of the Canadian authority, conditions in the Canadian market are such that a limitation on trade in any textile or textile product may be necessary to eliminate real risk of market disruption. For those products listed in Annex IA for which a consultation level is specified, the Canadian authority undertakes not to seek consultations until imports into Canada reach at least the level specified and not to seek restraints at a level less than the level specified. Any consultations held under this paragraph will be carried out on the basis described in paragraph 23.

26. Consistent with the orderly development of trade and in conformity with the provisions of the Protocol extending the MFA, either Government may specifically request consultations in accordance with paragraph 23 when it anticipates that, during any particular restraint period of these arrangements, difficulties may arise from a sharp and substantial increase, by comparison to the preceding restraint period, in imports of a given category subject to the quantitative limits set out in Annex IA. In finding solutions to problems of this kind, both sides shall make utmost efforts to find mutually acceptable solutions other than by a decrease in quota.

Revision and Termination

27. 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.

28. 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.

Equity

29. 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 paragraph 23 with a view to implementing appropriate remedial measures.

Annexes

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

Transitional Arrangements

31. It is understood that any difficulties which may arise as a consequence of the transition from one restraint period to another will be brought immediately to the attention of the one Government by the other Government and efforts will be made by both Governments, through consultations or other means, to resolve such difficulties to their mutual satisfaction.

Final Provisions

32. This Memorandum of Understanding will become effective on January 1, 1987 subsequent to an exchange of notes between the two Governments confirming their acceptance of these arrangements.

For the Government of the
People's Republic of China

For the Government of Canada

ANNEX 1A

ANNUAL RESTRAINT LEVELS
(Units unless otherwise specified)

Item No.	Product Description	1987	1988	1989	1990	1991
1.	Winter outerwear garments MBWGCI	291,737	300,489	309,504	318,789	328,353
2.	Pants, trousers, shorts, overalls, coveralls MBWGCI	8,865,804	9,309,094	9,774,549	10,263,277	10,776,440
a.	of which pants, trousers MBWG	6,518,280	6,844,194	7,186,404	7,545,724	7,923,010
b.	(of which pants, trousers wool MB)	255,256	268,019	281,420	295,491	310,266
3.	Tailored-collar shirts MB	2,086,693	2,149,294	2,213,773	2,280,186	2,348,592
4.	Shirts blouses, T-shirts sweatshirts MBWGCI	6,891,921	7,236,517	7,598,343	7,978,260	8,377,173
a.	of which shirts/blouses WG and shirts other MB	1,084,839	1,139,081	1,196,035	1,255,837	1,318,629
5.	Sweaters, pullovers, cardigans, MBWGCI	2,067,307	2,129,326	2,193,206	2,259,002	2,326,772
a.	of which sweaters, pullovers, cardigans MB	814,392	838,824	863,989	889,908	916,606

ANNEX 1A

ANNUAL RESTRAINT LEVELS
(Units unless otherwise specified)

<u>Item No.</u>	<u>Product Description</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>
6.	Pyjamas/sleepwear/bathrobes dressing gowns MBWGCI	2,488,749	2,613,186	2,743,846	2,881,038	3,025,090
7.	Coordinates and matching sets MBWGCI	2,475,718	2,624,261	2,781,717	2,948,620	3,125,537
8.	Underwear MBWGCI	2,408,807	2,553,335	2,706,535	2,866,927	3,041,063
9.	Coats, jackets and rainwear MBWGCI	2,083,706	2,187,891	2,297,286	2,412,150	2,532,758
	a. of which jackets MBWGCI	855,881	898,675	943,609	990,789	1,040,329
	b. of which overcoats/topcoats MBWGCI	285,973	300,271	315,286	331,050	347,603
10.	Swimwear MBWGCI	3,150,000	3,307,500	3,472,875	3,646,519	3,828,845
	a. of which knitted MBWGCI	425,000	446,250	468,563	491,991	516,591
20.	Dresses and skirts WGCI	1,081,457	1,146,344	1,215,125	1,288,033	1,365,315
21.	Athletic sets or suits	3,096,642	3,282,441	3,479,387	3,688,150	3,909,439
22.	Foundation garments	1,000,000	1,060,000	1,123,600	1,191,016	1,262,477
<u>Clothing: Consultation Levels</u>						
11.	Fine suits and blazers MBCI	20,900	20,000	20,000	20,000	20,000

ANNEX 1A

ANNUAL RESTRAINT LEVELS
(Units unless otherwise specified)

<u>Item No.</u>	<u>Product Description</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>
12.	Work gloves (prs.)	13,279,406	13,943,376	14,640,544	15,372,571	16,141,199
13.	Worsted fabrics (kgs)	179,556	184,943	190,491	196,206	202,092
14.	a) Bedsheets	1,293,200	1,370,792	1,453,040	1,540,222	1,632,635
	b) Pillowcases	2,586,400	2,741,584	2,906,079	3,080,444	3,265,270
15.	Cotton Terry Towels (kgs)	1,338,226	1,418,520	1,503,631	1,593,849	1,689,480
17.	Hosiery (prs.)	3,919,991	4,155,191	4,404,502	4,668,772	4,948,899
<u>Textile Products: Consultations Levels</u>						
19.	Handbags	700,000	700,000	700,000	700,000	700,000

ANNEX 1B

FLEXIBILITY PROVISIONS

(A) Item No.	(B) Product Description	(C) Swing (%)	(D) Carry-Over/ Borrow-Forward (%)	(E) Combined Flexibility C & D (%)	(F) Conversion Factor(M2)
1.	Winter outerwear garments MBWGCI	5	10 / 5	11	3.5
2.	Pants, trousers, shorts, overalls, coveralls MBWGCI	5	10 / 5	12	1.9
a.	of which pants, trousers MBWG	7	11 / 5	12	1.9
b.	(of which pants, trousers wool MB)	7	11 / 5	12	1.9
3.	Tailored-collar shirts MB	5	8 / 5	10	2.1
4.	Shirts blouses, T-shirts sweatshirts MBWGCI	5	10 / 5	11	1.7
a.	of which shirts/blouses WG and shirts other MB	5	10 / 5	11	1.7
5.	Sweaters, pullovers, cardigans, MBWGCI	5	10 / 5	11	1.4
a.	of which sweaters, pullovers, cardigans MB	5	10 / 5	11	1.4

ANNEX 15

FLEXIBILITY PROVISIONS

(A) Item No.	(B) Product Description	(C) Swing (8)	(D) Carry-Over/ Borrow-Forward (8)	(E) Combined Flexibility C & D (8)	(F) Conversion Factor(M ²)
6.	Pyjamas/sleepwear/bathrobes dressing gowns MBWGCI	7	11 / 5	12	3.4
7.	Coordinates and matching sets MBWGCI	7	11 / 5	12	4.4
8.	Underwear MBWGCI	7	11 / 5	12	0.8
9.	Coats, jackets and rainwear MBWGCI	5	10 / 5	11	4.0
	a. of which jackets MBWGCI	5	10 / 5	11	3.5
	b. of which overcoats/topcoats MBWGCI	5	10 / 5	11	5.0
10.	Swimwear MBWGCI	5*	10 / 5	12	1.0
	a. of which knitted	5*	10 / 5	12	1.0
20.	Dresses and skirts WGCI	7	11 / 5	12	3.0
21.	Athletic sets or suits	7	11 / 5	12	3.5
22.	Foundation garments	7	11 / 5	12	0.3

* For this item, there is a further provision for swing of up to 10% from Category 10 to Category 10.A.

FLEXIBILITY PROVISIONS

(A)	(B)	(C)	(D)	(E)	(F)
<u>Item No.</u>	<u>Product Description</u>	<u>Swing</u> (%)	<u>Carry-Over/ Borrow-Forward</u> (%)	<u>Combined Flexibility C & D</u> (%)	<u>Conversion Factor(M2)</u>
12.	Work gloves (prs.)	7	10 / 5	10	0.3
13.	Worsted fabrics (kgs)	-	10 / 5	10	4.75
14.	a) Bedsheets	7	10 / 5	11	6.25
	b) Pillowcases	7	10 / 5	11	1.25
15.	Cotton Terry Towels (kgs)	7	10 / 5	12	3.4
17.	Hosiery (prs.)	7	10 / 5	12	0.05

Annex II

Definitions and Descriptions of Terms

General Notes

1. Gender - Unless otherwise indicated all definitions of garments apply to garments for men (M), boys (B), women (W), girls (G), children and infants (C&I). Children's and infants' garments include all garments sized 0 - 6X.
2. Unless otherwise indicated, swing is permitted from adult garments to children's and infants' garments at a 3 to 5 ratio.
3. All descriptions include partially manufactured products. Partially manufactured garments include cut-to-shape fabric pieces for garments and knit-to-shape pieces for garments and require further manufacture or processing.
4. Garments of indeterminate gender, including unisex garments, are to be counted as of male gender.
5. Unless otherwise indicated, products covered by restraints under this arrangement are those which are wholly or mainly (i.e. 50 per cent or more) by weight of cotton, wool, man-made fibres or blends thereof.
6. Unless otherwise indicated, any reference to fabrics includes both uncoated fabrics and coated fabrics where the coating accounts for less than 50 per cent by weight.

Description of Product Categories

Clothing

1. Winter Outerwear Garments

Winter outerwear garments (commonly referred to as snowsuits, snowmobile 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. 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 coordinated 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 being garments which do not extend above the waist but extend to the knee or below. Included are jodhpurs, knickers, footless tights and gauchos.

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

Overalls and Coveralls - 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 - Shorts are garments similar to pants but not extending to the knees.

3. Shirts, Tailored Collar

Shirts with tailored collars, men's and boys'; knitted or woven, being garments covering the upper parts of the body normally worn next to the skin or directly over underwear and with a full or 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: Included are children's sizes 4 - 6X.

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', 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, sweatshirts and sweaters.

Shirts, men's and boys', children's and infants', other than with tailored collars, including full fashioned collars. A full-fashioned collar consists of one piece knitted to shape collar. For a full description of "shirts", see also the description for Shirts, Tailored Collar, above.

T-Shirts - T-shirts are knitted garments which may have collarless front openings 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, 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-shirt and sweatshirts for men and boys are subject to the over-riding definition of men's and boys' shirts with tailored or full-fashioned collars.

5. Sweaters, Pullovers and Cardigans

Sweaters, pullovers and cardigans, (including knitted ponchos), 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 coordinating or matching accessories, e.g. hats, scarves, gloves, mittens, booties, etc. A garment in this item when shipped with such coordinating or matching accessories will be considered a set and counted as one unit.

6. Pyjamas, Sleepwears, Bathrobes, Dressing Gowns and Housecoats

Pyjamas and sleepwear, being garments normally worn for sleeping.

Bathrobes, dressing gowns and housecoats, being garments other than sleepwear normally worn in privacy, including bed jackets and negligees.

7. Coordinates and Matching Sets

Suits and coordinates are garments comprising two or three matched or coordinated pieces, covering both the upper and lower parts of the body, packed and shipped and sold as a set. Excluded are pieces which are Pine Suits, Winter Outerwear, Underwear, Sleepwear, Swimwear, Foundation Garments, Rainwear, Shirts Tailored-Collar.

Coordinates or matching sets, men's and boys', children's and infants'.

Suits, coordinates, or matching sets, and blazers, women's and girls', children's and infants'.

8. Underwear

Underwear - Included are slips and bloomers.

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

9. Coats, Jackets and Rainwear

Jackets - 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 - Outerwear garments extending to the knee or below, excluding rainwear.

Rainwear - Rainwear are garments of coated, impregnated or treated fabrics, normally worn to protect against rain (including rainsuits, sets, capes and ponchos).

10. Swimwear

Swimwear, 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 coordinated, and packed and shipped as a unit, otherwise they are classified under the appropriate item elsewhere in this Annex as individual garments. Coordinated 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 coordinates.

11. Fine Suits

Fine suits, sportscoats and blazers, men's and boys'

Note: The suit jacket, sportscoat or blazers 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 coordinated jacket/pants or jacket/vest/pants packed and shipped and sold as a set.

20. Dresses and Skirts

Dresses, women's and girls', children's and infants'.
Dresses are one-piece garments extended above the waist, including jumpers, evening gowns dusters and house dresses (other than sleepwear).

Skirts, women's and girls', children's and infants'. Skirts are one-piece garments not extending above the waist, including golf skirts, kilts (including men's and boys') and culottes (divided skirts).

21. Athletic Sets or Suits - Suits normally worn for participation in athletic activities and not covered by any other definition in this Annex, including leotards covering the trunk of the body, judo sets, track suits, jogging suits, cross-country ski suits (subject to the description of Item 1).
22. Foundation Garments - Included are: Brassieres, girdles, corselettes and panty girdles.

Textiles

12. Work Gloves, both finished and partially manufactured, that are wholly or mainly of textile fabrics, whether or not impregnated or coated including such gloves manufactured partly of leather. This includes work glove liners or shells, wholly of textile fabrics, which are neither impregnated nor coated and without any other non-textile components, for incorporation in work gloves.

13. Worsted Fabrics are woven fabrics having 17 $\frac{1}{2}$ or more by weight of wool in which at least the warp is made from worsted spun yarn.

14. Bedsheets and Pillowcases

Bedsheets, woven, including flannelette sheets.

Pillowcases, woven.

15. Cotton Terry Towels, Washcloths and Sets

Cotton terry towels, washcloths and sets containing 50 per cent or more by weight of cotton. Cotton terry towels, washcloths and sets are of fabrics woven on a terry loom using single or plied cotton (or blends thereof) yarns with loop pile on one or both sides covering the entire surface on either plain or patterned weave, whether greize bleached, dyed or printed, including tea, hand, beach and bath towels and bath sheets, barmops and towel blanks.

17. Hosiery

Hosiery is knitted footwear for adults, children and infants. Excluded are ladies' seamless or full-fashioned full-length hosiery and knee-highs produced on machines of 400 needles or above and made from yarn of 30 denier or finer, and panty-hose.

19. Handbags, made of uncoated fabrics, containing natural or man-made fibres or blends of these fibres, with a body area, excluding handles, between 258 to 1226 square centimetres, in the manufacture of which leather and plastic materials may be used as trim and finish but not a major component of the shell.

1 Exporter (name, full address, country)		ORIGINAL	2 No
		3 Quota year	4 Category number
5 Consignor (name, full address, country)		EXPORT LICENCE (Textile products)	
8 Place and date of shipment - Means of transport		9 Supplementary details	
10 Marks and numbers - Number and kind of packages - DESCRIPTION OF GOODS		11 Quantity	12 FOB Value
13 CERTIFICATION BY THE COMPETENT AUTHORITY the undersigned, certify that the goods described above have been charged against the quantitative limit established for the year shown in box No 3 in respect of the category shown in box No 4 by the provisions regulating trade in textile products with CANADA.			
14 Competent authority (name, full address, country)		At on	

Memorandum of Understanding between the Government of Canada and the Government of the People's Republic of China, relating to the export from the People's Republic of China of cotton fabrics and polyester/cotton fabrics 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 People's Republic of China regarding the export of cotton fabrics and polyester/cotton fabrics from the People's Republic of China for import into Canada.

Coverage

2. For the purposes of classification the following definitions apply:

<u>Item Number</u>	<u>Product Description</u>	<u>Description</u>
23	Cotton Broadwoven Fabrics	Are woven fabrics wholly or mainly by weight of cotton fibres whether uncoated or coated (i.e. where the coating accounts for less than 50 per cent by weight). Excluded are denim and corduroy fabrics and unfinished (i.e. greige) cotton fabrics.
24	Polyester/Cotton Broadwoven Fabrics	Are woven fabrics in which the cotton and polyester fibres, in combination, represent 50 percent or more by weight, whether uncoated or coated (i.e. where the coating accounts for less than 50 per cent by weight). Excluded are denim and corduroy fabrics.

Restraint Periods

3. These arrangements will apply for five years commencing on January 1, 1987 and terminating on December 31, 1991.

Restraint Levels/Growth Rates

4. Except as provided for in paragraphs 10 to 15 below, the People's Republic of China will establish a self-restraint system regarding its exports (i.e. shipments) to Canada of the cotton fabrics and polyester/cotton fabrics described in paragraph 2 above, to the limits indicated below for the five calendar year periods commencing January 1, 1987 and ending on December 31, 1991:

<u>Item Number</u>	<u>Product Description</u>	<u>1987 Restraint Level</u>
23.	Cotton Fabrics (Kgs)	2,000,000
24.	Polyester/Cotton Fabrics(Kgs)	5,750,000
	A. Of which finished(Kgs) (i.e. other than unbleached)	3,000,000

Annual growth is 3.5 percent for categories 23 and 24A and 4 percent for category 24.

Administration

5. It is understood that these arrangements will be administered on the basis of an export control system operated by the Government of the People's Republic of China.

6. The Government of Canada will accept for entry into Canada imports of cotton fabrics and polyester/cotton fabrics described in paragraph 2 up to the amount set out in paragraph 4 for each restraint period provided that such imports are covered by a copy of an "Export Licence" endorsed and issued by the proper authority of the Government of the People's Republic of China to the effect that the imports covered by the licence have been debited to the applicable quantitative limit as set out in paragraph 4.

7. The export licences issued by the Government of the People's Republic of China in respect of the products described in paragraph 2 will contain the information as provided in the specimen export licence contained in Annex III of the MOU on textiles and textile products for the period 1987 to 1991.

8. In the event any quantity covered by an export licence is not shipped, either Government may notify the other Government of such quantity which may be credited to the appropriate restraint level.

Orderly Marketing

9. The Government of the People's Republic of China will endeavour to ensure that shipments of all cotton and polyester/cotton fabrics described in paragraph 2 are spaced out as evenly as possible during each restraint period, due account being taken of seasonal factors and of normal channels of trade.

Swing

10. Subject to the specific limitations set out in paragraph 4, the restraint level for cotton fabrics (Item number 23) or for polyester/cotton fabrics (Item number 24) may be exceeded by 10 percent provided that an equivalent amount is deducted from the other restraint level. In addition, the subrestraint level for finished polyester/cotton (Item number 24A) may be exceeded by 10 percent provided that the equivalent amount is deducted from polyester/cotton, both finished and unfinished (Item number 24). When any restraint level is exceeded by the application of swing, the Government of the People's Republic of China will so indicate in subsequent monthly returns.

11. For the purpose of implementing the swing provisions in paragraph 10, the conversion factor is 5.1 M²/kg for cotton fabrics and 7.2 M²/kg for polyester/cotton fabrics.

Carry-Over/Borrow-Forward

12. Following notification to the Government of Canada of the quantities involved, portions of any restraint level set out in paragraph 4 which are not used during any calendar year of the MOU may be carried over at a rate of 10 percent and added to the corresponding restraint level for the following calendar year.

13. Any restraint level set out in paragraph 4 may be increased by a rate of up to 10 percent of the amount advanced from the corresponding restraint level for the following calendar year of the MOU. The restraint level for the following calendar year will be reduced by an amount equal to the amount so advanced.

14. Notwithstanding the foregoing, carry-over and borrow-forward provisions may be used in combination only up to a maximum of 10 percent.

15. Notwithstanding the foregoing, the swing, carry-over and borrow-forward provisions may be used in combination only up to a limit of 11 percent.

Exchange of Statistics

16. The Government of the People's Republic of China will provide the Government of Canada with monthly statistics relating to exports of cotton fabrics and polyester/cotton fabrics which are licensed for export to Canada and debited against restraint levels for each restraint period.

17. When submitting the monthly statistics mentioned in paragraph 16 for restraint products, the Government of the People's Republic of China undertakes to include the following information:

- a. Category of goods as set out in paragraph 2;
- b. Original and adjusted restraint level for the restraint period;
- c. Total quantity issued for the restraint period to date;
- d. Notification of any utilization of swing, carry-over or carry-forward provisions and the quantities involved as provided for in paragraphs 10, and 12-15 above.

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

18. The Government of Canada will provide the Government of the People's Republic of China with monthly statistics relating to import permits issued for imports originating in the People's Republic of China of the cotton fabrics and polyester/cotton fabrics described in paragraph 2 along lines similar to the statistics to be provided by the Government of the People's Republic of China pursuant to paragraph 16 above.

19. The Government of Canada will, so far as possible, inform the Government of the People's Republic of China when imports into Canada of the cotton fabrics and polyester/cotton fabrics subject to these arrangements are subsequently re-exported from Canada. Where such re-exports have been debited from a restraint level, both Governments may then credit the amount involved to the appropriate restraint levels.

Consultations

20. Either Government has the right to request consultations with the other Government on any matter affecting their trade in cotton and polyester/cotton fabrics, including products excluded from self-restraint. 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 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 sixty 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 sixty days of the date on which actual consultations commence.

21. 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.

22. The Government of Canada may request consultations with the Government of the People's Republic of China with a view to reaching agreement on an appropriate level of restraint for unfinished (i.e. greige) cotton fabrics whenever, in the view of the Canadian authority, conditions in the Canadian market are such that a limitation on trade in any such fabrics may be necessary to eliminate real risk of market disruption.

Revisions and Termination

23. Either Government may at any time propose revisions to the terms of these arrangements.

24. 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.

Equity

25. 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 paragraph 20 with a view to implementing appropriate remedial measures.

Final Provisions

26. This Memorandum of Understanding will become effective on January 1, 1987 subsequent to an exchange of notes between the two Governments confirming their acceptance of these arrangements.

For the Government of the
People's Republic of China

For the Government of Canada

AGREED RECORD

Discussions were held on March 2-7, 1987 in Ottawa between representatives of the Government of Canada and the Government of the People's Republic of China, relating to the exports of restrained textiles and clothing to Canada, and in particular, cooperation in administration. The two sides agreed that it is in their mutual interest to cooperate to the fullest extent possible in the implementation of the provisions of the Memorandum of Understanding. In this light, they have agreed on the following:

A - Chinese authorities will transmit to the Canadian Special Trade Relations Bureau (STRB) of the Department of External Affairs through the Canadian Consulate General in Shanghai, every two weeks in the case of sea shipments and on a daily basis in the case of air shipments, a list containing specific information based on all Export Licences which have been issued for all shipments of textiles and clothing products to Canada. The following information for each Export Licence will be provided: Export Licence serial number, date of issue, Canadian importer, Chinese exporter number, MOU category number, and, total quantity.

B - The STRB will issue an import permit only for an application in which the specific data exactly matches the advance information for that shipment provided by the Chinese authorities, subject to all other import permit requirements being met.

C - The STRB will advise the Chinese authority of any applications for which there is no match and will delay issuance of the requested import permit pending their response as to whether the shipment is, in fact, bona fide and has been debited to the appropriate restraint level in the Memorandum of Understanding.

D - The STRB will provide the Chinese authorities with regular reports on the specific product quota utilization levels with a view of providing early warning as to when restraint levels are close to being fully utilized.

E - It is anticipated that the first exchange of data, for system testing purposes, will take place in June 1987. Once the system is proven, the STRB data file and comparison procedures will be put into effect from July 1, 1987.

Li Guodong

Deputy Director

Foreign Trade Administration

Ministry of Foreign Economic

Relations and Trade

Howard R. Wilson

Director General

Special Trade Relations Bureau

Department of External Affairs

C O N F I D E N T I A L

AGREED MINUTE

1. Discussions held on March 2-7, 1987 in Ottawa between representatives of the Governments of Canada and the People's Republic of China resulted in the initialling of a Memorandum of Understanding (MOU) between the two Governments relating to the export from China of certain textiles and textile products for import into Canada for the period 1987 to 1991.

2. With respect to the restraint levels established in Annex IA of the MOU for categories 2, 2a, and 5 and 5a, it was agreed that the products covered are those which are wholly or mainly (i.e. 50 percent or more) by weight of cotton, or other vegetable fibres, wool, man-made fibres, silk, or blends thereof. Excluded are products containing more than 85 percent by weight of vegetable fibres other than cotton or more than 70 percent by weight of silk fibres.

Li Guodong
Deputy Director
Foreign Trade Administration
Ministry of Foreign Economic
Relations and Trade

Howard R. Wilson
Director General
Special Trade Relations Bureau
Department of External Affairs

March 7, 1987

Mr. Howard R. Wilson
 Director General
 Special Trade Relations Bureau
 Department of External Affairs

Dear Mr. Wilson:

Further to our consultations in Ottawa on March 2 to March 7, 1987 and to the MOU on textiles and textile products that was initialled today, I wish to refer to the overshipment problem that occurred for 1986 shipments of clothing from China.

In this regard, I wish to confirm that, in order to compensate for the 1986 overshipments and having exhausted the remaining flexibility provisions for calendar year 1986, Chinese authorities will reduce the restraint levels indicated in Annex 1A of the MOU.

The deductions will be made for the years 1987, 1988 and 1989, in accordance with the following schedule. The quantities to be deducted from corresponding restraint levels are as follows:

<u>Item Number</u>	<u>Description</u>	<u>Amounts to be Deducted From Annex 1A Restraint Levels</u>		
		<u>1987</u>	<u>1988</u>	<u>1989</u>
1	Winter Outerwear	27,924	-	-
2	Pants, Shorts, Overalls, Coveralls	-	-	-
2A	Pants (MBWG) incl. wool	361,971	500,000	500,000
2B	Pants (wool) MB	150,945	500,000	500,000
		42,605	-	-
3	T.C. Shirts	60,849	-	-
4A	Blouses, Shirts, Shirts·Other	80,000	80,439	100,000
6	Pyjamas, Sleepwear	78,714	100,000	-
7	Coordinates, Matching Sets	200,000	287,425	-
8	Underwear	200,000	200,000	281,622
9	Jackets MBWGCI	194,481	-	-
20	Dresses and Skirts	82,823	-	-
21	Athletic sets, suits	148,343	160,000	160,000
22	Foundation garments	24,581	-	-

I would also wish to confirm with you that the above reductions apply only for 1987, 1988 and 1989 levels and do not apply to levels indicated for subsequent years in Annex 1A of the MOU.

With respect to those categories where the quantities corresponding to import permits issued by Canada exceed quantities corresponding to export licences issued by China, Canadian authorities will provide copies of the export licences to assist the Chinese authorities in their investigation of the issue. Following such investigations, at the request of Chinese authorities both sides will enter into consultations with a view toward resolving any outstanding issue.

The Canadian authorities are requested not to issue import permits in categories which have been over-utilized until the Chinese authorities have had an opportunity to review the matter. To assist in this review, the Canadian authorities are requested to provide details on the shipment, including Export Licence number, name of exporter and importer, MOU category number, quantity and value, as well as date of shipment.

I would be grateful that you would confirm that these arrangements are satisfactory.

Yours sincerely,

Li Guodong
Deputy Director
Foreign Trade Administration
Ministry of Foreign Economic
Relations and Trade
Government of the People's
Republic of China

March 7, 1987

Mr. Li Guodong
Deputy Director
Foreign Trade Administration
Ministry of Foreign Economic
Relations and Trade
Government of the People's
Republic of China

Dear Mr. Li:

Thank you for your letter dated March 7, 1987,
concerning overshipment problems that occurred for 1986 shipments
of clothing from China.

I would like to confirm that your letter outlining the
reduction to base levels that Chinese authorities will make in
1987, 1988 and 1989, and the method of dealing with situations
where import permits issued exceed export licences issued,
reflects the understanding reached in our discussions of
March 2 - 7, 1987, and is acceptable to the Canadian Government.

Yours sincerely,



Howard R. Wilson
Director General
Special Trade Relations
Bureau
Department of External
Affairs
Government of Canada