

Textiles Surveillance Body

ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Notification under Article 4:4

Bilateral agreement between Canada and Sri Lanka

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

The TSB, pursuant to² its procedures regarding bilateral agreements notified under Article 4,² has examined the relevant documentation and is transmitting the text of the notification to participating countries for their information.³

¹The previous bilateral agreement and modifications are contained in COM.TEX/SB/1054, 1055 and 1102.

²See COM.TEX/SB/35, Annex B

³For the TSB's observations on this notification see COM.TEX/SB/1418.

* English only/Anglais seulement/Inglés solamente

Memorandum of Understanding between the Government of Canada and the Government of the Democratic Socialist Republic of Sri Lanka relating to the export from the Democratic Socialist Republic of Sri Lanka 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 of the Democratic Socialist Republic of Sri Lanka regarding the export of certain textile products from the Democratic Socialist Republic of Sri Lanka for import into Canada.

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

Restraint Periods

3. These arrangements will apply for the periods commencing on January 1, 1987 and ending on December 31, 1991; of which the first restraint period will commence on January 1, 1987 and end on December 31, 1987 and the four (4) subsequent restraint periods will be for the calendar years 1988, 1989, 1990 and 1991.

Restraint Levels

4. Except as provided for in paragraphs 13 to 18 below and in Annex III (Handloom Products), the Government of the Democratic Socialist Republic of Sri Lanka will restrain its exports to Canada of the textile products described in Annex I for the first period as defined in paragraph 3 to the limits specified in column (C) therein.

5. Except as provided for in paragraphs 13 to 18 below and in Annex III (Handloom Products), for the four calendar year periods commencing January 1, 1988 and ending in December 31, 1991, the Government of the Democratic Socialist Republic of Sri Lanka will restrain its exports to Canada of the textile products described in Annex I to the limits specified in column (C) therein advanced on an annual basis by the growth rate specified in column (D).

Coverage

6. 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

7. These arrangements will be implemented on the basis of the export control system operated by the Government of the Democratic Socialist Republic of Sri Lanka.

8. The Government of Canada will admit imports of the textiles and textile products which are described in Annex II and are subject to a specific quantitative limit in Annex I, provided such imports are covered by an original copy of a Sri Lankan "export licence" certified and issued by the proper authority, including a statement to the effect that the imports covered by the licence have been debited to the applicable quantitative limit (restraint) as set out in Annex I.

9. For the purpose of implementing these arrangements, the date of export from the Democratic Socialist Republic of Sri Lanka will be used to determine within which restraint period any textiles or textile products will be counted.

10. The export licences issued by the Government of the Democratic Socialist Republic of Sri Lanka in respect of products covered by Annex I will contain the following information :

1. Country of destination,
2. Country of origin,
3. Licence 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,
8. F.O.B. or C.I.F. value,
9. Certification by the proper authority (paragraph 8),
10. Restraint Period (year).

11. In the event any quantity covered by an export licence is not shipped, or any part of it is returned, regardless of the reason, the Government of the Democratic Socialist Republic of Sri Lanka will notify the Government of Canada of such quantities which may be credited by the Government of the Democratic Socialist Republic of Sri Lanka to the appropriate restraint level.

12. The Government of the Democratic Socialist Republic of Sri Lanka will endeavour to ensure that exports of all textiles and textile products which are listed in Annex II and are subject to restraint levels in 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.

Swing

13. Subject to the specific limitations set out in Annex I, and following notification to the Canadian authorities, any restraint may be exceeded by the percentage shown in column (E) provided that an equivalent amount, through application of the conversion factors shown in column (H), is deducted from any other restraint level in the same group. When any restraint level is exceeded by the application of swing, the Government of the Democratic Socialist Republic of Sri Lanka will so indicate in subsequent monthly statistical reports.

14. Following notification to the Canadian authorities of the quantities involved, portions of any quantitative limit set out in Annex I which are not used during a restraint period may be carried over and added to the corresponding quantitative limit for the following restraint period. The restraint level for the latter restraint period will be increased within the higher percentage limit set out in column (F) of Annex I.

15. Following notification to the Canadian authorities of the quantities involved, 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.

16. No carry-over shall be available for application in the first restraint period. No carry-forward shall be available for application in the final restraint period

17. 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.

18. Further to paragraphs 13 to 17 above, where applicable, the restraint levels in column (C) of Annex I may not be increased by the combined use of swing, carry-over and carry-forward by more than the percentage indicated in column (G) of Annex I.

Exchange of statistics

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

20. The Government of the Democratic Socialist Republic of Sri Lanka will provide the Government of Canada with monthly statistics relating to exports of the textile products listed in Annex II which are licensed for export to Canada and debited against restraint levels for each restraint period as per Annex I.

21. When submitting the monthly statistics mentioned in paragraph 20, the Government of the Democratic Socialist Republic of Sri Lanka 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. Indication of any utilization of swing, carry-over or carry-forward provisions and the quantities involved as provided for in paragraphs 13 to 18 above.

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

22. The Government of Canada will provide the Government of the Democratic Socialist Republic of Sri Lanka with monthly statistics relating to import permits issued for imports originating in the Democratic Socialist Republic of Sri Lanka of the textiles and textile products listed in Annex I.

23. Both Governments reserve the option of requesting, should it be necessary, more specific and detailed information.

Equity

24. 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 26 with a view to implementing appropriate remedial measures.

Re-Exports

25. The Government of Canada will, so far as possible, inform the Government of the Democratic Socialist Republic of Sri Lanka when imports into Canada of textiles and textile products subject to restraint under Annex I are subsequently re-exported from Canada. Where such re-exports have been debited by the Government of the Democratic Socialist Republic of Sri Lanka to quantitative limits, the Government of the Democratic Socialist Republic of Sri Lanka may then credit the amount involved to the appropriate quantitative limits.

Consultations

26. 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 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.

27. 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.

28. In the event that the Government of Canada believes that imports from the Democratic Socialist Republic of Sri Lanka of products listed in Annex II not covered by specific limits are, due to market disruption or the threat thereof, threatening to impede the orderly development of trade between the two countries, the Government of Canada may request consultations with the Government of the Democratic Socialist Republic of Sri Lanka with a view to easing or avoiding such market disruption. The Government of Canada will provide the Government of the Democratic Socialist Republic of Sri Lanka at the time of the request with available data which are indicative of the market situation and in the opinion of the Government of Canada show :

- A. The existence of market disruption, or the threat thereof, and
- B. The role of exports from the Democratic Socialist Republic of Sri Lanka in that disruption.

29. The Government of the Democratic Socialist Republic of Sri Lanka agrees to consult with the Government of Canada within 30 days of receipt of the request for consultations. Both Governments agree to make every effort to reach agreement on a mutually satisfactory resolution of the issue within 90 days of the receipt of such request, unless this period is extended by mutual agreement.

30. During the 90-day period, the Government of the Democratic Socialist Republic of Sri Lanka agrees to hold its exports to Canada of the products concerned to a level no greater than 30 percent of the amount entered into Canada, as recorded by Canadian import permit statistics, where available, during the latest 12 months prior to the month in which the request for consultations was made.

31. If no mutually satisfactory solution is reached during these consultations, the Government of Canada may establish a specific limit for the duration of these arrangements for shipments of the product concerned exported on and after the conclusion of the 90 day period referred to above. This limit will not be less than the amount of imports which are entered into Canada during the first 12 of the most recent 14 months preceding the month in which the request for consultations was made, plus 6 percent.

32. If a specified limit is established under paragraph 31 in the course of a calendar year, it will be prorated to correspond to the time period between the end of the 90 day period referred to in paragraph 30 and the end of the calendar year in which the request is made. Flexibility (swing, carry-over and carry-forward) and growth will be provided taking into account the provisions of the MFA.

MFA Rights

33. Each Government reserves its rights under the MFA with respect to textiles and textile products not subject to specific quantitative limits in 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 restrained products covered by these arrangements as long as this Memorandum of Understanding remains in effect.

Revisions and Termination

34. 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.

35. 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

36. Annexes I, II, and III to this Memorandum of Understanding will be considered an integral part of it.

Transitional Arrangements

37. Any difficulties which may arise as a consequence of the transition to these arrangements 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

38. 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 Canada

For the Government of the
Democratic Socialist
Republic of Sri Lanka.

ANNEX 1 - RESTRAINT LEVELS

(A) CATEGORY NO.	(B) SHORT DESCRIPTION	(C) RESTRAINT LEVEL	(D)		(E) SWING	(F) CARRY-OVER/ CARRY-FORWARD	(G) COMBINED FLEXIBILITY (E) & (F)	(H) CONVERSION FACTOR (M2/UNIT)
			GROWTH					
<u>Group A</u>								
1.	Winter Outerwear, 135,000 units MBWCCI		4%	7%	10(5) %	15%	3.2	
2.	Trousers, Shorts Overalls and Coveralls MBWCCI	300,000 units	5%	7%	10(5) %	15%	1.9	
3.	Tailored Collar Shirts, MB (including childrens sizes 4-6 X)	450,000 units	4%	7%	10(5) %	15%	1.7	
4.	Blouses and Shirts WCCI; Shirts MBCCI other than Tailored Collar	325,000 units	5%	7%	10(5) %	15%	1.5	
5.	T-shirts & Sweat Shirts MBWCCI	395,000 units	6%	7%	10(5) %	15%	1.2	
6.	Sweaters MBWCCI	180,000 units	4%	7%	10(5) %	15%	1.2	
7.	Dresses, MG; Skirts MBWCCI	175,000 units	5%	7%	10(5) %	15%	3.0	
8.	Suits and Coordinates MBWCCI (Annex 2 definition 8: a,b,c,d,f)	500,000 units	3%	7%	10(5) %	15%	3.5	
9.	Underwear MBWCCI	600,000 units	6%	7%	10(5) %	15%	0.5	
10.	Jackets, MBWCCI	495,000 units	4%	7%	10(5) %	15%	1.4	
<u>Group B</u>								
11.	Work Gloves	2,225,000 units	4%	N/A	10(5) %	N/A	N/A	

No swing permitted between products in Group A and Products in Group B

Annex II
Definitions and Description 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 childrens' and infants' garments to a 3 to 5 ratio.
3. All descriptions include partially manufactured products. Partially manufactured garments include cut-to-shape fabric pieces for garments on which there has been any processing beyond cutting to shape and knit-to-shape pieces for garments, whether or not there has been any processing beyond the knitting to shape.
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 by weight of cotton, wool, man-made fibres or blends thereof. Wholly or mainly means 50 per cent or more.

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, gauchos.

Note: Men's and boys' garments in this item manufactured of fabric containing five percent or more by weight of wool or hair are considered to be woolen 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 part 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 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 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 definitions of men's and boys' shirts with tailored or full-fashioned collars.

5. Sweaters, Pullovers and Cardigans

Sweaters, pullovers, 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, 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. Sleepwear and Bathrobes

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. 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).

8. Sportswear (Suits, Coordinates, Athletic and Leisure Sets)

- a) 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 Fine Suits, Winter Outerwear, Underwear, Sleepwear, Swimwear, Foundation Garments, Rainwear, Shirts Tailored-Collar.
- b) Coordinates or matching sets, men's and boys', children's and infant's.
- c) Suits, coordinates, or matching sets, and blazers, women's and girls', childrens and infants'.
- d) Miscellaneous Garments, Children's and infants' garments not meeting any of the descriptions relating to children's and infants' wear contained elsewhere in this Annex, 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.

- e) Athletic Sets. 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 in Item 1).
- f) Leisurewear. Coordinates not defined by any other definitions in this Annex. These may include shortsets, beachwear sets and cabana sets.

9. Underwear

Underwear. Included are slips and bloomers.

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

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. Foundation Garments

Foundation garments. Included are: Brassieres, girdles, corselettes, and panty girdles.

12. 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, being outerwear garments extending to the knee or below excluding rainwear.

Professional and shop coats. Professional and shop coats are one-piece garments including barber coats, clinical coats, medical coats, laboratory coats, and surgical gowns.

Rainwear. 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'.

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.

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14. 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.

Work Glove Liners, liners or shells wholly of textile fabrics which are neither impregnated or coated and without any other non-textile components, for incorporation in work gloves.

15. Hosiery, is knitted footwear for adults, children and infants. Excluded are men's and boys' woollen hosiery (over 50% of wool by weight) and 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.
16. Handbags, made of fabrics whether uncoated, coated or bonded or man-made fibres or blends of 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.
17. Household Textiles
- Bedsheets, woven, including flannelette sheets.
- Pillowcases, woven.
- Bedding, other than bedsheets, and pillowcases.
- 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 greige, bleached, dyed or printed, including tea, hand, beach and bath towels and bath sheets, barmops and towel blanks.
- Towels, other than cotton terry towels, wholly or mainly by weight of cotton, man-made fabrics or blends thereof.
18. Yarns
- Cotton Yarn, comprises all yarns consisting of 100 per cent cotton fibres either combed or carded, in a state ready for further processing.
- Acrylic Yarn. All types of yarns containing 50 per cent or more by weight of acrylic fibres.

Polyester Yarn, comprises all yarns consisting of 100 per cent polyester fibres or filaments or where polyester fibres represent either the chief value or 50% or more by weight.

Polyester/Cotton Yarn, comprises all yarns consisting of blended polyester and cotton fibres in which the combination of polyester and cotton fibres represent either the chief value or 50% or more by weight.

Rayon Yarn, spun or filament, where the total of rayon fibres in combination represent either the chief value or 50% or more by weight.

Nylon Yarn, spun or filament, where the total of the nylon fibres in combination represent either the chief value or 50% or more by weight.

Mixed Fibre Yarns, spun or filament, containing 50% or more by weight of man-made fibre, nes.

19.

Fabrics

Polyester Fabrics, are woven fabrics in which the warp is composed of filament flat or textured polyester yarn.

Polyester/Cotton Broadwoven Fabric, are fabrics made from blends of cotton and polyester fibres, where polyester fibres represent 50 per cent or more by weight.

Polyester Fabrics, nes.

Worsted Fabrics, are woven fabrics having 17% or more by weight of wool in which at least the warp is made from worsted spun yarn.

Wool Blend Fabrics, nes. 17% or more by weight of wool.

Nylon Fabrics, are fabrics in which the nylon fibre accounts for 50 per cent or more by weight or thread count or where the nylon fibres in combination with other fibres represents the chief value.

Nylon Fabric, nes.

Cotton Fabric, are woven fabrics wholly or mainly by weight of cotton and include the following:

- Duck and allied fabrics, including awning fabric, tent cloth and canvas
- Drill, twill and warp sateen including gabardine, and cord fabric
- Flannel, napped, bleached, unbleached and coloured including billiard cloth, blanket cloth and flannelette
- Denim and corduroy
- Pile fabric, n.e.s. including plush fabric, velour, velveteens, velvet and flocked fabrics
- Print cloth and sheeting
- Terry cloth
- Cotton fabric nes.

Broadwoven Fabrics, nes which include the following:

- Rayon
- Rayon/polyester
- Rayon blend nes
- Mixed fibre nes
- Broadwoven fabrics nes

20. Miscellaneous Textiles nes, which include the following:

- Vinyl and polyurethane coated fabrics
- Cordage, rope and twine

21. Leather Coats, leather outdoor jackets, overcoats, topcoats and sportscoats including those made of genuine leather, genuine sheepskin and genuine suede.

Annex III

1. The exemption provided for in paragraph 4 of this Memorandum of Understanding 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 aide 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 Sri Lankan 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:
 - i) Waxing (Application of wax by hand to the fabric),
 - ii) Dyeing/Printing (Application of colour either by the traditional cottage method of dyeing or handprinting),
 - iii) Dewaxing (Boiling the fabric to remove the wax).

2. The exemption will apply only in the respect of products covered by a certificate issued by the competent Sri Lankan authorities.

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.

The Canadian High Commission presents its compliments to the Ministry of Foreign Affairs of the Democratic Socialist Republic of Sri Lanka and has the honour to refer to the Memorandum of Understanding (MOU) between the Government of Canada and the Government of the Democratic Socialist Republic of Sri Lanka relating to the export from the Democratic Socialist Republic of Sri Lanka of certain textiles and textile products for import into Canada, and in particular to Annex II thereof.

Canadian authorities wish to bring to the attention of the Sri Lankan authorities that (A) whereas Annex II includes in paragraph 21, garments of leather, and (B) whereas the MOU has been concluded having regard to the arrangement regarding international trade in textiles (hereinafter referred to as "the MFA"), and (C) whereas the MFA does not apply to garments of leather, and (D) whereas it is desirable to avoid an inconsistency between the MOU and the MFA, therefore, Canadian authorities wish to propose that paragraph 21 of Annex II of the MOU which reads, "Leather coats, leather outdoor jackets, overcoats, topcoats and sportscoats including those made of genuine leather, genuine sheepskin and genuine suede ", be stricken from the Annex and from the coverage of the MOU.

Canadian authorities further propose that, if this deletion is acceptable to the Sri Lankan authorities, this note and the reply note from the Government of the Democratic Socialist Republic of Sri Lanka confirming its acceptance of this proposal constitute an amendment to the MOU to this effect.

The Ministry of Foreign Affairs of the Democratic Socialist Republic of Sri Lanka presents its compliments to the High Commission of Canada and has the honour to refer to TPN No.8094 of 19th April 1988 regarding the Memorandum of Understanding (MOU) between the Government of the Democratic Socialist Republic of Sri Lanka and the Government of Canada relating to the export from Sri Lanka of certain textile and textile products for import into Canada and in particular to Annex II thereof.

The Government of the Democratic Socialist Republic of Sri Lanka confirms its acceptance of the proposal to delete paragraph 21 of Annex II to the MOU and remove from the coverage of the MOU "Leather coats, leather outdoor-jackets, overcoats, topcoats and sportscoats including those made of genuine leather, genuine sheepskin and genuine suede".

The Government of the Democratic Socialist Republic of Sri Lanka also confirms that TPN No.8094 and this response thereto will constitute an amendment to the MOU to that effect.

The Ministry of Foreign Affairs of the Democratic Socialist Republic of Sri Lanka avails itself of this opportunity to renew to the Canadian High Commission the assurances of its highest consideration.

Colombo, 28th April 1988

The High Commission of Canada
6, Gregory's Road.