

WORLD TRADE ORGANIZATION

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Textiles Monitoring Body

Original: English

AGREEMENT ON TEXTILES AND CLOTHING

Notification under Article 2.17

CANADA

Administrative Arrangements with China

Addendum

The Textiles Monitoring Body has received a further notification from Canada pursuant to Article 2.17. The TMB is circulating this notification to WTO Members for their information.

The Permanent Mission of Canada
to the United Nations
Geneva

13 May 2002

Mr. András Szepesi
Chairman
Textiles Monitoring Body
World Trade Organization
Centre William Rappard
Rue de Lausanne 154
CH-1211 Genève 21

Dear Mr. Szepesi,

This is in response to your letter of 26 April 2002 requesting further clarification regarding Canada's administrative arrangement concluded with China under Article 2.17 of the Agreement on Textiles and Clothing (ATC).

Paragraph 5 of the Administrative Memorandum of Understanding (AMOU) allows for re-crediting any quantity covered by an export licence that is not shipped to Canada. Such situations occur regularly, for example when the exporting country cancels an export license for a shipment which is subsequently not exported to Canada. In this case, China would inform Canada through our electronic verification system that the relevant export licence had been cancelled and then it would re-credit automatically its quota so that it may re-allocate the amount to another shipment. However, no credit would be authorized in a situation where an exporting government were seeking to cancel an export licence against which a shipment had already been entered into Canada. This is exceedingly rare in the case of China given the aforementioned electronic verification system and the fact that usage of export licences is reported back to China on a daily basis.

Paragraph 12 of our AMOU, which reserves the right of both governments to seek additional statistics from the other, including statistics for non-restrained products, is common to all of Canada's administrative arrangements pertaining to apparel and textile restraints. It is intended, *inter alia*, to address issues concerning circumvention and transshipment. In this context, we note that Article 5.1 of the ATC explicitly acknowledges the importance of this issue, indicates that "Members should establish the necessary legal provisions and/or administrative procedures to address and take action against such circumvention", and calls on all Members to cooperate fully to address these problems.

Yours sincerely,

(Signed)
A.R (Sandy) Moroz
Counsellor
