

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

COM.TEX/SB/632

14 January 1981

Special Distribution

Textiles Surveillance Body

REPORT OF THE NINETEENTH MEETING (1980)^{1/}

1. The TSB held its nineteenth meeting of 1980 on 1 and 2 December. The following members or alternates replacing members were present: Messrs. Bajwa, Beck/Scheele, Kujirai, Lee/Chau, Pullinen/Hobson, Safioen, Santos-Neves, Shepherd.
2. The joint report of the seventeenth and eighteenth meetings was adopted and was transmitted to the Textiles Committee as COM.TEX/SB/626.
3. The Chairman welcomed Mr. J. Scheele (EEC) as alternate to Mr. Beck, replacing Mr. L. de Gouvion St. Cyr.

Pending notification: EEC/Indonesia

4. The TSB reverted to the notification by the EEC of an amendment to its Article 4 agreement with Indonesia, concerning the introduction by the EEC of new limitations under the "basket exit" procedure for certain categories.
5. The TSB was informed by the delegations of the EEC and Indonesia that consultations on this amendment would continue during the month of December. It therefore deferred its consideration of this item until its first meeting of 1981.

New notifications

a) United States/Colombia

6. The TSB had received a notification from the United States of an amendment to its Article 4 bilateral agreement with Colombia, which introduced restraint on a wool category. The TSB noted the statement by the United States that the provision of one per cent growth and 5 per cent swing reflected the continued state of disruption of the United States wool textiles and apparel market. After its review the TSB agreed to transmit the amendment to the Textiles Committee (COM.TEX/SB/627).

b) United States/Korea

7. The TSB had received a notification from the United States of certain amendments to the original Article 4 bilateral agreement concluded with Korea. In reviewing these amendments, the TSB noted that swing had been reduced by 1 per cent and carryover/carry forward had been forgone for the 1980 agreement year with respect to eleven apparel categories, and that no growth had been accorded to one wool apparel category in establishing the level for 1980.
8. The TSB further noted other modifications which seemed to be favourable to Korea, namely the introduction of a new consultation system and a substantial increase in the wool group.
9. The TSB noted that the reduction in swing and the elimination of carryover/carry forward were in respect of 1980 only and that, for the remaining years of the bilateral agreement, i.e. 1981 and 1982, the original swing and carryover/carry forward provisions were not affected.

^{1/} Hundred-and-fourteenth meeting overall.

10. The TSB concluded that, having due regard to the limited duration of the reduction in flexibility, the impact of the modifications on trade flow did not appear seriously to affect Korea's continued access to the United States market. In this connexion, the TSB stressed the importance it attached to stability of access as embodied in the concept of orderly development of trade in terms of Article 4, paragraph 2.

11. After its review the TSB agreed to transmit this amendment to the Textiles Committee (see COM.TEX/SB/628).

c) Sweden/Singapore

12. The TSB considered a notification of a new Article 4 agreement between Sweden and Singapore, covering the period 1 December 1979 to 30 November 1981. The TSB again observed with regret that, despite its repeated earlier recommendations, there had been a considerable delay in the notification of this agreement, and once more urged all participants to make notifications promptly.

13. In reviewing this agreement, the TSB noted that reductions in the levels for two categories were not compensated by increases in other categories. This resulted in a reduction in net access under the agreement, and thus constituted a departure.

14. The TSB also noted the existence of growth rates limited to 0.065 to 0.8 per cent for the categories subject to restraint in the second year of the agreement.

15. The TSB also observed that, following its recommendations in connexion with previous Swedish agreements, there was a provision of 5 per cent carry-over and 5 per cent carry forward in this agreement. Although these represented improvements over the previous agreement, there was a limitation of 5 per cent on cumulative use of carryover and carry forward, which led to lower flexibility than that set out in Annex B. The TSB also noted that there was no provision for swing in this agreement and took note of the statement by Sweden, that the absence of swing was the result of a mutually agreed recognition of the need to maintain minimum viable production.

16. The TSB gave particular attention to the provision laid down in Article 10 of the agreement for the unilateral imposition of restrictions by Sweden in the event of a failure to reach mutually satisfactory solutions in consultations under the agreement.^{1/} In this connexion, the TSB recalled

^{1/} Article 10 of the agreement reads as follows: The Government of Sweden and the Government of Singapore agree to consult each other, at the request of either party, when any problems arises from the implementation of this agreement. The Government of Sweden and the Government of Singapore agree furthermore to enter into consultations on the prolongation, modification or removal of the limitations before the end of the period of agreement. If consultations do not result, within a reasonable period of time, in a mutually satisfactory solution and the removal or modification of the limitations would result in serious damage to its domestic producers of like or directly competitive products, the Government of Sweden may apply limitations to the extent and for such time as may be found necessary.

similar provisions in a number of agreements concluded by Sweden and the statement by the Swedish authorities that their application would be fully consistent with the MFA. The TSB reaffirmed its understanding that any such unilateral restrictions shall be in conformity with the Arrangement and recommends that, for reasons of clarity, this understanding be reflected explicitly in the provisions of any future agreement containing a similar clause.

17. After its review, the TSB agreed to transmit this agreement to the Textiles Committee (see COM.TEX/SB/629).

d) Sweden/Pakistan

18. The TSB had received a notification from Sweden concerning an Article 4 bilateral agreement concluded with Pakistan covering the period from 1 March 1980 to 28 February 1982 and containing restraint levels in both quantity and value terms.

19. As compared with the levels in the previous agreement the base levels established in this agreement for five groups were slightly higher, i.e. varying from 0.09 per cent to 0.8 per cent and 0.1 per cent.

20. The base level for the remaining group ("Rest Group") which included new products not previously under restraint (table linen, curtains, etc.) was set in value terms. This level was higher by 30 per cent as compared with the restraint level in the previous agreement and the trade in the roll back period for the two new products under restraint. The growth for this group in the second agreement year was 8.6 per cent, again in value terms.

21. The agreement does not provide for swing as between the groups covered therein. In this respect the TSB took note of the statement by Sweden that the absence of swing was the result of a mutually agreed recognition of the need to maintain minimum viable production.

22. Since the levels for the "Rest Group" had been fixed in terms of value rather than quantity, the TSB again recalled its previous recommendation^{1/} that participating countries should respect the requirements of Article 5 of the Arrangement regarding normal commercial usage in such matters as the denomination of quotas and restraint levels in quantitative units in order to avoid inter alia any tradedistortion that might arise from variations in exchange rates and inflation. The TSB therefore recommended that in the event of the extension, modification or renewal of this agreement, the parties thereto should have full regard to such requirements.

23. After its review, the TSB agreed to transmit this agreement to the Textiles Committee (see COM.TEX/SB/630).

e) Sweden/Sri Lanka

24. The TSB had received a notification from Sweden concerning an Article 4 bilateral agreement concluded with Sri Lanka covering the period from 1 August 1980 to 31 July 1982. The increases in the base levels established in this agreement, with the exception of the "Rest Group", were over one per

^{1/} See COM.TEX/SB/442, paragraph 4.

cent, as were the growth rates between the first and the second agreement year. However, for the "Rest Group" there was no increase over the restraint in the previous agreement, while there was a growth of 1.6 per cent in the second year.

25. The agreement does not provide for swing as between the groups covered therein. In this respect the TSB took note of the statement by Sweden that the absence of swing was the result of a mutually agreed recognition of the need to maintain minimum viable production.

26. Regarding the consultation clause contained in Article 10 of the agreement, the TSB recalled its observation and recommendation in the context of a similar clause in the agreement between Sweden and Singapore. Such observation and recommendation would be applicable to any unilateral measure taken under the said clause during the life time of the MFA. Noting that the agreement extended beyond the period of the MFA, the TSB recalled its previous observation that the validity of the TSB's review could extend no longer than the life of the Arrangement (see COM.TEX/SB/365, paragraph 70).

27. After its review, the TSB agreed to transmit this agreement to the Textiles Committee (see COM.TEX/SB/631).

Other business

28. The TSB heard a statement by Mr. Beck on certain consequences which would flow from the fact of the Community's enlargement on 1 January 1981. With the accession of Greece from that date the Community, as a member of the MFA, would represent the existing nine members with the addition of Greece, and the provisions of the Arrangement would thereafter apply to the ten members constituting the enlarged EEC.

29. As an immediate consequence of enlargement, it would be necessary to adapt the Community's existing bilateral textile agreements under the MFA to accommodate Greece. To this end the Community had embarked upon the process of adaptation in concert with all its MFA partners who had concluded bilateral agreements with the Community.

30. Discussions between the Community and its partners were now in progress. However, to the extent that the process of adaptation with individual exporting members of the MFA was not completed by 31 December 1980, it would be necessary for existing restrictions maintained by Greece at the present time to remain in force for a period of time after accession. The Community would thereafter have regard to the procedures to bring such restrictions into conformity with the provisions of the MFA in accordance with Article 2 of the Arrangement, and would notify all new protocols of adaptation to the TSB as well as any restrictions maintained unilaterally after 1 January 1981.