

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

COM.TEX/SB/710  
17 July 1981

Special Distribution

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## Textiles Surveillance Body

### REPORT OF THE NINTH MEETING (1981)<sup>1/</sup>

1. The Textiles Surveillance Body held its ninth meeting of 1981 on 15-17 June.
2. The following members and/or alternates were present: Messrs. Beck, Chau/McPhail<sup>2/</sup>, Delgado, Hobson, Hussain, Safioen, Sato and Shepherd.
3. The Chairman welcomed Mr. T. Sato (Japan) as member of the TSB replacing Mr. Kujirai.
4. The draft report of the eighth meeting was approved and has been circulated to the Textiles Committee as COM.TEX/SB/703.
5. The following subjects were discussed:

#### Article 4 notifications

##### (a) Sweden/Macao

6. The TSB considered a notification from Sweden concerning an Article 4 bilateral agreement concluded with Portugal on behalf of Macao. This agreement which covers the period from 1 January 1981 to 31 December 1983, succeeds previous agreements, the last of which expired on 31 December 1980.<sup>3/</sup>
7. The TSB noted that:
  - (a) all restraint levels in the first year of the present agreement (1 January 1981 to 31 December 1981) involved reductions on the levels set out in the previous agreement;

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<sup>1/</sup> Hundred and twenty-fourth meeting overall

<sup>2/</sup> In the unavoidable absence of Mr. Chau, and of his alternate Mr. Hym, the TSB agreed that Mr. D. McPhail (Hong Kong) should attend the meeting as alternate.

<sup>3/</sup> COM.TEX/SB/219, 367 and 468.

- (b) this was the second successive reduction, and the third one with respect to the four categories which were under restraint in an earlier agreement concluded in 1976;
- (c) there was growth in every category as between the three agreement years;
- (d) there was no provision for swing;
- (e) carry-over and carry forward were provided at 5 per cent respectively, with combined use not to exceed 5 per cent.

8. In reviewing this agreement, the TSB had full regard to the provisions of Article 1:2 of the MFA and paragraph 6 of the Protocol relating to minimum viable production. It equally had full regard to the provisions of Article 1:3 and 6:3 of the MFA as well as paragraphs 5, 6 and 8 of the Protocol relating to the interests and special problems of developing countries and small suppliers.

9. The TSB observed that the successive net reductions in access for Macao, exemplified by the base levels established in this agreement, were a further departure from the provisions of the MFA<sup>1/</sup> and not foreseen by the Protocol of Extension.

10. The TSB recognized that the growth rate of less than 6 per cent contained in the agreement was a reflection of the minimum viable production provisions of paragraph 2 of Annex B. The effect of these growth provisions was to bring the aggregate restraint in 1983 to a level 2.1 per cent higher than in 1980 and 0.6 per cent greater than in 1978. However, the levels for some groups in 1983 would still be lower than those which had been in force in 1978. Moreover, the access for certain groups provided for during the entire lifetime of the agreement was less than would have been the case if there were no cutbacks in restraint levels from 1980.

11. The TSB recalled its previous observation that swing was one of the essential elements in bilateral agreements concluded under Articles 3 and 4.<sup>2/</sup> The TSB noted the statement by Sweden that the absence of swing was a reflection of a mutual recognition of the minimum viable production principle.

12. The TSB observed that the limit of 5 per cent on the cumulative use of carry-over and carry forward resulted in lower flexibility than that set out in Annex B.

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<sup>1/</sup> For the TSB's previous observations on an earlier departure see COM.TEX/SB/477.

<sup>2/</sup> See COM.TEX/SB/69, paragraph 4.

13. The TSB further noted the Swedish undertaking that it would use the consultation procedure contained in Article 10 of this agreement within the framework of the MFA.

14. In examining this particular agreement, the TSB recalled that it had not previously pronounced itself formally on successive reductions in access. It takes this opportunity to express its view that successive reductions in access are not consistent with the objectives of the Arrangement as extended by the Protocol. The TSB therefore viewed with deep concern the reductions contained in the agreements concluded between Sweden and Macao since 1978. The TSB recognized that there was positive growth in all categories during the lifetime of this agreement as indicated in paragraph 10 above.

15. In the light of the above considerations, the TSB decided to transmit this agreement to the Textiles Committee for its information (COM.TEX/SB/704).

(b) United States/India

16. The TSB received from the United States a notification of an amendment of its Article 4 bilateral agreement with India concerning an increase in the consultation levels for five categories. The TSB agreed to transmit this notification to the Textiles Committee (COM.TEX/SB/705).

(c) Finland/Romania

17. The TSB received from Finland a notification of a new bilateral agreement concluded under Article 4 of the MFA with Romania, valid for the period 1 April 1981 to 31 December 1982. This agreement replaced a former licensing system which was based on the Romanian Protocol of Accession to GATT. The TSB noted that the growth rates of less than 6 per cent contained in this agreement were agreed, taking into consideration the minimum viable production provisions of paragraph 2 of Annex B. The TSB agreed to transmit this agreement to the Textiles Committee (COM.TEX/SB/706).

(d) United States/Sri Lanka

18. The TSB received from the United States a notification of the amendment to its Article 4 bilateral agreement with Sri Lanka, establishing an additional specific limit for men's and boys' cotton coats (Category 334) pursuant to the consultation procedures of the agreement. The TSB agreed to transmit this notification to the Textiles Committee (COM.TEX/SB/707).

(e) EEC/India

19. The TSB received a notification from the European Communities concerning the extension of its bilateral agreement with India until 31 December 1982, under the terms of Article 16, paragraph 1 of the bilateral agreement. The TSB agreed to transmit this notification to the Textiles Committee (COM.TEX/SB/708).

(f) EEC/Indonesia

20. The TSB received two notifications from the EEC concerning provisional unilateral restrictions on imports from Indonesia pursuant to the consultation provisions of their bilateral agreement. The first notification concerned measures on imports of shirts (Category 6) into France, Italy and Ireland, following inconclusive consultations between the parties. The second notification concerned provisional limits established on imports of trousers (Category 8) into Denmark, France, Italy and Ireland, pending consultations.

21. The TSB took note of statements by both parties that consultations on these measures were scheduled to take place soon, and asked the parties to report to it on the results of these consultations.

(g) United States/Thailand

22. The TSB received from the United States an amendment to its Article 4 bilateral agreement with Thailand, concerning an increase in the consultation level for cotton and woollen fabrics (Category 302). The TSB agreed to transmit this communication to the Textiles Committee (COM.TEX/SB/709).

Article 3:6 notification

23. Finland/Sri Lanka

The TSB received a notification of a provisional measure taken under Article 3:6 by Finland in which it requested Sri Lanka to co-operate on a bilateral emergency basis, pending consultations, to suspend exports of shirts to Finland as of 15 June 1981. The TSB noted that consultations between the two parties were expected to take place in July, and requested the parties to report to it on the results of these consultations.