

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

COM.TEX/SB/98

1 August 1975

Special Distribution

Textiles Surveillance Body

REPORT OF THE NINTH MEETING

1. The TSB held its ninth meeting of 1975 on 13, 16, 17 and 18 June. The report of the eighth meeting was approved and has been circulated in document COM.TEX/SB/89.
2. The TSB had received a submission from Sweden under Article 3:5(ii) of the Arrangement concerning bilateral negotiations in progress under Article 3 between Sweden and Mexico. Since the two countries had been unable to reach agreement in these negotiations, Sweden requested that the TSB should examine the matter and make appropriate recommendations, as provided for in Article 3:5(iii). The TSB heard statements of their respective positions by delegations from Sweden and Mexico. After examination of the evidence presented to it, written and oral, the TSB was of the opinion that the claim of market disruption, as defined in Annex A of the Arrangement, had not been sustained. On the basis of the general trends, it appeared, however, that there might be a real risk of market disruption. The TSB therefore recommended that the two parties should agree to consult again with a view to arriving at means of eliminating the risk of market disruption while at the same time ensuring an orderly development of the trade. Among the approaches which could be examined would be a surveillance system providing the two countries with adequate safeguards. The two parties were requested to report to the TSB within thirty days of the date of the recommendation by the TSB (13 June 1975) on the results achieved.
3. The TSB reviewed four bilateral agreements under Article 4 concluded by the United States - with Mexico, Pakistan, Portugal (on behalf of Macao) and Thailand. It was agreed that all should be circulated for the information of countries participating in the Arrangement. The agreement with Thailand, which is not a participant, was notified to the TSB in accordance with Articles 7 and 8 of the Arrangement. The agreements have been circulated as COM.TEX/SB/90/93/92/91 respectively.
4. The TSB reviewed a notification by the European Economic Community of measures resulting from consultations with Brazil under Article 3. During this review it was noted that the validity of these measures will expire on a date later than the end of the maximum period of extension permissible under Article 2:2(ii). Taking into account the interim nature of the measures, the TSB agreed that the notification should be circulated to the Textiles Committee for information, but requested that the parties should complete their negotiations in the time permissible, i.e. before 31 March 1976.

5. The TSB reviewed a report under Article 2:4 by the European Economic Community on the status of the restrictive measures originally notified by it in document COM.TEX/SB/17. The report lists seventeen countries participating in the Arrangement with which the Community proposes to conclude bilateral agreements. With respect to other participants the report notifies a programme for the staged elimination by 1 April 1977 of existing restrictions. Actions taken by the Community since the entry into force of the Arrangement in relation to existing restrictions are also notified.

6. The Community supplied further information during discussion of the report and in reply to questions by TSB members. The following main points emerged from the discussion:

(i) Restrictions on products not to be included in the bilateral agreements referred to above will not be eliminated, in each case, until after the negotiation of an agreement had been concluded, since the Community takes the view that the two processes are inseparable. It was pointed out that since these agreements are to be selective in nature, residual restrictions could be identified and eliminated and that failing this the seventeen countries involved would be denied benefits to which they were entitled under the Arrangement.

(ii) With regard to the actions taken since entry into force of the Arrangement, it was learned that in the interim between the expiry of former agreements under the Cotton Textiles Arrangement and the conclusion of bilateral agreements under the MFA, the Community has autonomously increased certain of the existing bilateral quota ceilings which continued to exist on a de facto basis with respect to Egypt, India, Japan, the Republic of Korea and Pakistan.

It was also pointed out that the quotas unilaterally imposed by France on Hong Kong and Singapore were increased by the order of 5-6 per cent.

(iii) With regard to the programme of elimination of restrictions, it was pointed out that on the basis of the evidence submitted, it appeared that there has not been a major effort of liberalization by France and the United Kingdom in the first year of the Arrangement, as required by Article 2:2(i). In the absence of 1974 import data, the extent of liberalization effected by France in the first year of its phased programme of liberalization could not be assessed, but it appeared to be small.

7. The TSB concurred in an extension, as envisaged in Article 2:2(ii), of the period for the negotiation of bilateral agreements with those countries with which negotiations have not been concluded. The EEC was asked to submit a report by 30 June 1975 on the progress of these negotiations. With regard to the

elimination of residual restrictions affecting those countries, disagreement was expressed with the Community's view that this must await conclusion of bilateral agreements and it was regretted that, as a result of this interpretation, these participants had been denied, pending the conclusion of their negotiations with the Community, benefits to which they were entitled under the MFA.

8. With regard to the action taken by the Community in the first year of the Arrangement the TSB was unable to determine that it was in conformity with the Arrangement for the following reasons:

(i) the phasing-out programmes for restrictions still maintained were found inadequate both in that there is a lack of evidence that a major effort of liberalization has been made in the first year of the Arrangement, and in that France claims to retain the option of applying limitations to the products concerned until their complete liberalization. In this respect the competent authorities have declared themselves ready to elaborate further on their programme of liberalization.

(ii) the quota increases unilaterally fixed by France for Hong Kong and Singapore in the interim period pending the conclusion of bilateral agreements did not meet exactly the requirements of Article 2.

(iii) as notified by the EEC under the provisions of Article 2:4, the interim arrangements made in respect of the countries with which the EEC intends to negotiate bilateral agreements were not consonant with the relevant provisions of the Arrangement.

9. The Community took note of the comments made by members and undertook to examine the matter carefully.

10. The TSB is circulating this notification to participating countries for their information: this has been done in document COM.TEX/SB/97.

11. In reviewing the report made by Finland under Article 2:4, the TSB took note that restraint measures on textiles were maintained against Poland and Romania under bilateral agreements concluded under GATT provisions (including its Annexes and Protocols). The Finnish authorities have indicated that in negotiations regarding the future of such measures, they would give due consideration to the objectives of the Textiles Arrangement, and that they would be prepared to notify the results of such negotiations to the Chairman of the TSB for the information of participants. Also, the Finnish authorities have indicated that they are willing to consider transforming trade measures on textiles into agreements under the relevant provisions of the Arrangement, by agreement between the parties concerned. The TSB agreed that the report should be circulated to participating countries for information, and this has been done in COM.TEX/SB/94.

12. The notifications received from Singapore under Article 2:1 and 2:4 were reviewed and have since been circulated for the information of participating countries in COM.TEX/SB/95 and 96.
13. It was agreed that the next meeting of the TSB should be held on 14, 15 and 16 July 1975.