

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

COM.TEX/SB/210  
18 February 1977

Special Distribution

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## Textiles Surveillance Body

### REPORT OF THE FIRST MEETING<sup>1</sup> (1977)

1. The TSB held its first meeting on 24-26 January and 1 February 1977. The report of the seventeenth and eighteenth meetings of 1976 was approved and has been circulated as COM.TEX/SB/207.

2. The Chairman announced that the members and alternates for the year 1977 would be as follows:

<u>Members</u>	<u>Alternates</u>
Member to be nominated by Colombia	Alternate to be nominated by Mexico
Mr. Mohammed Hamid (Pakistan)	Mr. Karti Sandilya (India)
Mr. I. Klaric (EEC)	Mr. A. Sutton (EEC)
Mr. Knut Kvamme (Norway)	Mr. W.F. Stone (Canada)
Mr. Lawrence Mills (Hong Kong)	Mr. Chung Sup Shin (Korea)
Mr. H.M. Phelan (United States)	
Mr. K. Terada (Japan)	Mr. Hidetoshi Ukawa (Japan)
Mr. Che Fong Yee (Malaysia) <sup>2</sup>	Mr. Chuay Kannawat (Thailand)

3. The TSB reviewed a notification by the European Economic Community of its programme for the elimination of pre-MFA restrictions affecting Japan. The TSB heard statements by both parties to the effect that the programme had been bilaterally agreed. It was agreed to circulate the programme for the information of participating countries. This has been done in document COM.TEX/SB/205.

4. The TSB took note of information submitted by the European Economic Community to the effect that temporary restrictions on certain imports from Romania into Italy, notified to GATT on 8 December 1976, had now been superseded by a bilateral agreement between the Community and Romania.

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<sup>1</sup>Forty-ninth meeting

<sup>2</sup>Mr. Yee will occupy the quadripartite seat for the period January to the end of March.

5. The TSB received from the United States a notification of the termination of a pre-MFA bilateral agreement on cotton textiles between the United States and Spain. This notification has been circulated to participating countries for information in document COM.TEX/SB/209.
6. The TSB received a reference by Hong Kong under Article 9:3 concerning the supersession, by measures taken by Canada under Article XIX of GATT in November 1976, of two bilateral agreements between Canada and Hong Kong covering products affected by the Article XIX measures; stating that in the view of Hong Kong the Canadian action, in so far as the products covered by the memoranda of understanding are concerned, is an additional trade measure which has the effect of nullifying the objectives of the Arrangement. The TSB also received a communication from Canada that in its view the measures recently taken by it under Article XIX are covered by Article 1:6 and therefore are not subject to the provisions of Article 9:3, and it is not appropriate for matters relating to these measures to be examined by the TSB. The TSB, however, took the view that the reference made by Hong Kong properly fell within its competence and accordingly agreed to consider it. The TSB heard statements by the two parties concerned.
7. The TSB recognized that at the time of the Canadian action two memoranda of understanding bilaterally agreed between Hong Kong and Canada were in existence and were being implemented by the two parties. The TSB noted that the two agreements contained provisions for consultations should difficulties arise in the implementation of these agreements.
8. The TSB therefore recommended that the two parties should hold consultations with a view to resolving any problems that may have arisen or might arise, and to report on those consultations to the TSB within thirty days.
9. The TSB in reaching its conclusion with respect to the above reference made by Hong Kong has not addressed itself to the legal implications of the supersession of bilateral agreements by unilateral measures. Nor has the TSB addressed itself to the basic and underlying general question of the relationship between paragraph 1 of Article 9 of the Arrangement and paragraph 6 of Article 1 and paragraph 1 of Article 3, and other additional trade measures.
10. Notwithstanding this most members recognized that the Canadian measures, and in particular the level of the quantitative restraints, would have seriously disruptive effects on trade in textiles. They therefore took the view that these measures would have the effect of nullifying the objectives of the expansion of trade and of the avoidance of disruptive effects on production and trade. Others did not share this view and more generally questioned the TSB's competence in discussing GATT measures outside the MFA, and stressed that this subject was not on the agenda. The other members however took the view that this subject necessarily arose from the reference made by Hong Kong, and that the TSB was competent to deal with it. In accordance with established procedure it remains open to the TSB to consider these divergent views further.