

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

COM.TEX/SB/245

1 June 1977

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## Textiles Surveillance Body

### REPORT OF THE SIXTH AND SEVENTH MEETINGS<sup>1</sup> (1977)

1. The TSB held its sixth and seventh meetings from 25 April to 5 May 1977. The report of its fifth meeting was approved and has been circulated in document COM.TEX/SB/241.
2. The TSB had received from Sweden a notification of an agreement between Sweden and Pakistan under Article 3 of the MFA which was a further extension of an agreement between the two parties initially concluded on 24 February 1975; this extension was for another period of ten months from 1 March to 31 December 1977.
3. The TSB noted that, as in the case of the earlier extension of this agreement, no provision had been made with regard to growth rate. The TSB further noted that the parties have, however, agreed to continue bilateral consultations with a view to agreeing on the growth rates to be fixed in respect of both agreements. The TSB expressed the hope that it would be possible for the parties to come to an agreement, which would be in accord with the provisions of the Arrangement, as early as possible. The TSB therefore deferred its consideration of the agreement's conformity with the MFA until July 1977, by which time it was hoped that an agreed growth rate will have been notified. In the meantime the agreement was circulated to participating countries for their information and this has been done in document COM.TEX/SB/242.
4. The TSB reviewed an agreement concluded under Article 4 between Austria and Portugal (on behalf of Macao) and agreed to circulate it to the Textiles Committee for information (see COM.TEX/SB/243).
5. The TSB also reviewed amendments notified by the United States with respect to its bilateral agreement concluded under Article 4 with Malaysia. It was also agreed to circulate this notification to the Textiles Committee (see COM.TEX/SB/244).
6. The TSB re-examined the question of Sweden's unilateral imposition of restrictions under Article 3:5 on imports of bed linen and women's woven blouses from India (see COM.TEX/SB/207 and 225), in the light of reports from both countries informing it of the failure of negotiations to conclude a bilateral agreement. Sweden also informed the TSB in its report on the negotiations that, in the absence of agreement, it had been decided to introduce restraints on imports of woven cotton shirts from India.

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<sup>1</sup>Fifty-fourth and fifty-fifth meetings

7. The TSB heard statements by both the parties of their respective cases in the course of which they jointly affirmed that consultations were being actively pursued with a view to arriving at an agreement covering the bed linen sector. The TSB therefore limited its consideration to the situation applying to shirts and woven blouses for which no agreement had been reached. The TSB was subsequently informed that an agreement had been reached between the two parties regarding bed linen and that the agreement would be notified to it once it had been ratified.

8. The TSB was not able, at this stage, on the basis of the evidence put before it by both parties, to arrive at a conclusion on the question of market disruption. Absence of information on the level of imports of products covered by the Arrangement precluded any definitive judgement of the market disruption question or on the conformity or non-conformity of the Swedish restraint action with respect to the provisions of the Arrangement. During its consideration, the TSB recognized the continuing concern of the Swedish Government regarding the exercise of rights set forth under Article 1, paragraph 2, and the concern of India in preserving its rights under Article 12:3 and Article 6.

9. The TSB further noted that there was a high probability that Swedish imports of Indian blouses and shirts included such products made of handloom fabric by the Indian cottage industry and, therefore, possibly subject to the provisions of Article 12, paragraph 3, and that in the absence of a breakdown of the component products the TSB could not establish the relative levels of non-exempted and exempted imports.

10. In the light of the above, the TSB recommended that the parties enter into consultations promptly: (a) to reach a mutually acceptable agreement on a definition of handloom cottage industry products; (b) arrive at a mutually acceptable certification system; (c) establish the component levels of exports of Indian blouses and shirts to Sweden; it being understood that those products made of handloom fabrics should be exempted from any restriction and, finally, (d) report the results of these consultations to the TSB not later than 1 July 1977, at which time the TSB would revert to this matter.

11. The TSB also examined a notification received from Sweden under Article 3:5 concerning unilateral restrictions on blouses of cotton when imported from Pakistan.

12. The TSB heard statements by representatives from Sweden and Pakistan of their respective positions. The TSB noted the view of Sweden that the measures adopted in respect of Pakistan were consonant with the provisions of Annex A of the Arrangement and its need to protect minimum viable production. The TSB also noted the view of Pakistan that its exports of the item in question did not constitute a threat to Sweden's minimum viable production.

13. After consideration of the evidence presented, both written and oral, and having regard to the possibility of the parties arriving at a mutually acceptable solution, the TSB felt that it should not pronounce itself, at this juncture, on the question of market disruption as defined in Annex A of the Arrangement.

14. The TSB noted that the restrictions in question covered woven blouses of cotton including such products made of handloom fabric by the cottage industry of Pakistan subject to the provisions of Article 12:3.

15. The TSB therefore recommends that the two parties consult again with a view to: (a) reaching a mutually acceptable agreement on a certification system for handloom cottage industry products; (b) establishing the component levels of exports of blouses from Pakistan so as to identify the elements to which Article 12:3 would apply; and, (c) after separating out the products which are excludable under Article 12:3, the parties should then reconsider the level of trade remaining with a view toward reaching a mutually acceptable solution as to the treatment of that trade.

16. In order to avoid any dislocation in the trade during the interim period, the TSB recommended that the unilateral restrictions maintained by Sweden should be replaced by voluntary export arrangements by Pakistan with a view to ensuring that during this interim period changes in the level of exports by Pakistan should not be inconsistent with the level of normal trade in woven blouses between Sweden and Pakistan. The TSB further recommended that both parties should start negotiations as soon as possible, and not later than 1 June, and that a report thereof be submitted to it not later than 15 July 1977.