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COM.TEX/SB/255  
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# GENERAL AGREEMENT ON TARIFFS AND TRADE

## Textiles Surveillance Body

### REPORT OF THE NINTH AND TENTH MEETINGS<sup>1</sup> (1977)

1. The TSB held its ninth and tenth meetings from 8 to 9 June and on 21 and 23 June 1977. The report of its eighth meeting was approved and has been circulated in document COM.TEX/SB/251.
2. The TSB had received from the EEC a notification of a bilateral agreement with Thailand concluded under Article 4 of the MFA. While noting that the agreement had not, as yet, been formally ratified, the TSB nevertheless reviewed it and agreed to circulate the text to the Textiles Committee for information and this has been done in document COM.TEX/SB/248.
3. The TSB also reviewed an amendment notified by the United States with respect to its bilateral agreement concluded under Article 4 with Pakistan and agreed to circulate it to the Textiles Committee for information (see COM.TEX/SB/249).
4. The TSB has received a notification from the United States informing it of the termination of its bilateral agreement with Czechoslovakia. The TSB agreed to circulate this notification to the Textiles Committee for information under Articles 7 and 8 of the Arrangement. This has been done in document COM.TEX/SB/250.
5. The TSB reviewed an agreement concluded between the EEC and Korea. The TSB examined the agreement and found it to be in conformity with the Arrangement. It has been circulated to the Textiles Committee under Article 3:4 in document COM.TEX/SB/252.
6. A bilateral agreement under Article 4 between Finland and Hong Kong covering the period 1 June 1977 to 31 July 1978, was reviewed and has been circulated to participating countries for their information in document COM.TEX/SB/253. The TSB also reviewed a bilateral agreement between Finland and Macao notified under Article 3:4 for the period 1 June 1977 to 31 July 1978. As it was found to be in conformity with the Arrangement, the TSB agreed to circulate it for the information of participating countries and this has been done in COM.TEX/SB/254.

<sup>1</sup>Fifty-seventh and fifty-eighth meetings.

7. The TSB took note of a communication from Mexico informing it that the Mexican Government had approached the Canadian Government on a bilateral basis to express its disagreement with the action taken by Canada under Article XIX. In the view of Mexico, Canada, by having direct recourse to Article XIX without first exhausting the possibilities of conciliation that must be utilized in accordance with the MFA, had disregarded its obligation under the Arrangement in respect of countries that are not contracting parties to the General Agreement.

8. In discussing this matter, the TSB felt that, when a party to the MFA chooses to take action in the field of textiles under the GATT before exhausting the provisions of the MFA, serious problems, including situations of inequity, could arise for other participating countries. In this regard, an importing country taking restrictive action under the provisions of GATT could give rise to adverse consequences for trade that would not have arisen if the importing country had taken action under the provisions of the MFA. These adverse consequences would be more serious in the event the measures taken under GATT provisions involved lower base levels than those required by the MFA and, as a consequence, resulted in lower levels of total imports of the products concerned. There was a further problem for those parties to the Arrangement which are not contracting parties to the GATT since, while they have the same rights and obligations under the MFA as other participants, the relevant provisions of GATT are not available to them.

9. The TSB recalled that, at the December 1976 meeting of the GATT Textiles Committee, the Chairman had noted general agreement that any GATT contracting party signatory to the MFA retained the legal and formal right to invoke GATT Articles; but that there was a divergence of views among members as to the circumstances and conditions under which such rights should be exercised. In this connexion the TSB saw some merit in the view, also expressed at the December 1976 meeting of the Textiles Committee, that importing countries imposing restrictions under GATT Article XIX should, as a matter of course, notify the Textiles Committee through the TSB and stand ready to participate in discussion of such measures in that Body.

10. In the circumstances, the TSB urged participating countries, members of the GATT, not to have recourse to the relevant provisions of the General Agreement unless it has been demonstrated that recourse to the procedures of the MFA is not feasible or has been proven unsatisfactory.