

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED
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Textiles Surveillance Body

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ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Notification under Article 2:4

Bilateral Agreement Between the EEC and Malaysia

The Textiles Surveillance Body has received a communication from the European Communities informing it that the bilateral agreement negotiated between the EEC and Malaysia, which had previously been notified to the TSB under Article 2:4¹, though applied on a de facto basis, had never been formally concluded and had subsequently expired on 31 December 1977.

In its consideration the TSB noted that the agreement had been applied de facto as the formal ratification procedures had not been accomplished and that the agreement had since expired. In the light of these considerations the TSB decided to transmit the text of the agreement to the Textiles Committee under Article 2:4 for information.

¹For TSB's decision to defer its definitive examinations see COM.TEX/SB/170, paragraph 6.

DRAFT AGREEMENT BETWEEN MALAYSIA AND THE
EUROPEAN ECONOMIC COMMUNITY ON TRADE IN TEXTILES

PREAMBLE

The Council of the European Communities
of the one part,

The Government of Malaysia
of the other part,

Desiring to ensure the orderly and equitable development of trade in textiles between the European Economic Community, hereinafter called "the Community" and Malaysia,

Having regard to the provisions of the Arrangement regarding International Trade in Textiles (hereinafter referred to as the Geneva Arrangement) and especially its Article 4,

Have decided, in a spirit of mutual co-operation and in conformity with the said Geneva Arrangement, to conclude this Agreement and to this end have designated as their plenipotentiaries:

THE COUNCIL OF THE EUROPEAN COMMUNITIES

THE GOVERNMENT OF MALAYSIA

who have agreed as follows:

Article 1

1. The Parties recognize and confirm that, subject to the provisions of this Agreement and without prejudice to their rights and obligations under the General Agreement on Tariffs and Trade, the conduct of their mutual trade in textiles shall be governed by the provisions of the Geneva Arrangement.

2. This Agreement shall apply to trade in those categories of textiles products, originating in and despatched from Malaysia and set out in Annexes I and II hereto.

3. Malaysia agrees to establish quantitative limits on exports of woven shirts to the Community in accordance with the schedule set out in Annex I hereto. Quantities of the quota shares set out in Annex I not taken up by a member State of the Community may be reallocated to another member State within the limits decided by the Community in accordance with the procedures in force in the Community. The Community undertakes to respond within four weeks of its receipt to any request made by Malaysia for such re-allocation. It is understood that any reallocation so effected would not need to be comprised within any limits set in flexibility provisions established under Article 7 hereof.

Article 2

The Community undertakes, in respect of the categories of textiles products to which this Agreement applies, and subject to the satisfactory operation of this Agreement, not to introduce new quantitative restrictions, to suspend the application of any at present in force and to refrain from invoking the provisions of Article 3 of the Geneva Arrangement provided that exports to the Community of such textiles products originating in and despatched from Malaysia do not exceed the quantitative limits established under the provisions of this Agreement.

Article 3

1. Imports into the Community of those textiles products to which this Agreement applies which are for immediate re-export or for inward processing and subsequent re-export outside the Community shall not be subject to quantitative limits established under this Agreement, provided they are entered as such under an administrative system of control in force for this purpose within the Community.

2. In any case where Community authorities ascertain that imports described in paragraph 1 above have been retained for consumption within the Community, the latter will notify the Government of Malaysia on a quarterly basis of the amounts involved. Malaysia shall in such cases and at the request of the Community charge such amounts against the quantitative limit or limits in question for the current Agreement year or for the next following Agreement year.

3. In any case where the competent authorities within the Community ascertain under an administrative system of control in force that imports of textiles products to which this Agreement applies have been charged against quantitative limits established under this Agreement but subsequently re-exported outside the Community, the competent authority concerned will inform the Malaysian authorities of the quantities involved and authorize imports of the same quantities which shall not be charged to the quantitative limits under the Agreement.

Article 4

1. The following Malaysian textiles products shall, subject to the conditions indicated hereafter, be admitted into the Community without quantitative limit:

- (i) cotton handloom fabrics of cottage industry, containing not more than 5 per cent by weight of man-made fibres, being fabrics which are both traditionally of the kind woven on handlooms and actually woven on a loom for which the motive power is provided entirely by the operators (that is where the three primary movements of weaving, namely shedding, picking and beating, are induced by hand or foot and no other source of power is used);
- (ii) goods made up by the cottage industry from such cotton handloom fabrics;
- (iii) traditional Malaysian folklore handicraft textiles products, including handicraft batik products¹, cut, sewn or otherwise fabricated by hand in cottages which are units of the cottage industry.

¹Handicraft batik is produced by a traditional batik process by which colours and shades are introduced to a bleached or white fabric. The process is carried out manually in three stages namely:

- (a) waxing (application of wax by hand to the fabric);
- (b) dyeing/painting (application of colour either by the traditional cottage method of dyeing or by hand painting);
- (c) de-waxing (boiling the fabric to remove the wax).

The three stages of the process are repeated on the fabric for each of the colours or shades in the resulting design.

2. Admission into the Community of these products without quantitative limits shall be subject to the satisfactory operation of agreed arrangements for certification.

Article 5

1. Both Parties agree to enter promptly into consultations with each other, at the request of either and in conformity with the provisions of the Geneva Arrangement, on any matter concerning their trade in textiles and in particular on any problems arising from the application of this Agreement. Consultations held under the provisions of this Article shall be approached by both Parties in a spirit of compromise and with a view to the conciliation of differences existing between them.

2. The Community may, in particular, whenever conditions in its market give rise to real risks of market disruption, request consultations with Malaysia in accordance with the procedures set out in paragraph 5 below with regard to the products set out in Annex II hereto.

3. If, in the opinion of the Community, imports into the Community of textiles products of fibres other than cotton in direct competition with those to which this Agreement applies cause real risks of market disruption, the Community may request consultations with Malaysia under identical conditions to those specified in paragraph 5 of this Article.

4. If an excessive concentration of trade in any specific product within the categories listed in Annexes I and II hereto causes a real risk of market disruption in respect of that product, the Community may request consultations with Malaysia under identical conditions to those specified in paragraph 5 of this Article.

5. In those cases defined in paragraphs 2, 3 and 4 of this Article, Malaysia shall limit, in accordance with the Community's request, exports of the products or categories of products in question, destined for the Community market or for its market in one or more of its member States, pending a mutually satisfactory conclusion to the said consultations, at a level indicated by the Community which, at an annual rate, shall not be lower than 106 per cent of the imports recorded for the said product or category thereof during the twelve months ending three months before that in which the request for consultation was made.

6. Consultations shall be held at the request of Malaysia in order to review the need for the maintenance or modification, or removal of any quantitative limit established under this Article, whenever market conditions which led to the establishment of such quantitative limit no longer prevail.

7. Any request for consultations under this Agreement shall be accompanied by a factual statement of the reasons and justifications for its request.

8. Both Parties, unless agreed otherwise, will consult as soon as possible within thirty days of the request for such consultations, and will make their best efforts to complete such consultations within thirty days of their commencement.

9. The procedure referred to in paragraph 5 above will only be resorted to sparingly and will be implemented in a manner consistent with the principles and objectives of the Geneva Arrangement.

10. If the two Parties are unable to reach satisfactory solution within a reasonable period of time to problems which have been the subject of consultations under the Agreement, either Party may, after notification to the other Party, refer such problems to the Textiles Surveillance Body in accordance with Article 11 of the Geneva Arrangement.

Article 6

If, having regard to the provisions of the Geneva Arrangement, either Party considers that it is being placed in an inequitable position in respect of trade in textiles as compared with a third country, that Party may request consultations with the other with a view to seeking equitable solutions. Such consultations shall be held and concluded promptly. The Parties will take such appropriate remedial measures as may be mutually acceptable and consistent with their international rights and obligations, including any necessary reasonable modification to this Agreement.

Article 7

1. Portions of any quantitative limit established under this Agreement which are not used during any Agreement year may be carried over and added to the corresponding quantitative limit in the following Agreement year, within a limit of 10 per cent of the latter.

2. Within a limit of 10 per cent of each of the quantitative limits established under this Agreement, advance deliveries shall be authorized from the corresponding quantitative limit established for the following Agreement year. Amounts delivered in advance shall be deducted from the quantitative limits for the products in question for the following Agreement year.

3. Within any one Agreement year, unused portions of quantitative limits established under this Agreement in respect of any region of the Community market may be transferred to another quantitative limit established for that same region of the Community market within a ceiling of 7 per cent of the recipient quantitative limit.

4. The preceding flexibility provisions shall not, in any given Agreement year, result in a quantitative limit for any category being exceeded by more than 15 per cent of the quantitative limit for that category for that Agreement year.

5. The flexibility provisions contained in this Article may only be applied by Malaysia following written notification to the Community by the Malaysian authorities.

Article 8

Malaysia shall endeavour to ensure that exports of all textiles products for which quantitative limits may be established under this Agreement are spaced out as evenly as possible over each of the Agreement years, due account being taken, in particular, of seasonal factors.

Article 9

The two Parties agree to exchange all useful information concerning their mutual trade in textiles in order to ensure the successful implementation of this Agreement.

Article 10

1. The Parties agree that the quantitative limits established under this Agreement shall be managed under a system of double control, the details of which are set out in Annex III to this Agreement.

2. Malaysia therefore agrees to furnish the Community with precise statistical information, on a quarterly basis, of all export authorizations issued by the Malaysian authorities for all categories of textile exports to the Community to which this Agreement applies.

3. The Community will likewise forward to the Malaysian authorities on a quarterly basis, precise statistical information of imports of such products into the Community.

Article 11

1. Both Parties shall take all possible measures to ensure that traditional channels and methods of trade between the Community and Malaysia are maintained.

2. Should either Party inform the other that the application of this Agreement has given rise to difficulties regarding the maintenance of existing commercial relations between importers in the Community and their suppliers in Malaysia, the Parties agree to consult together in accordance with the procedures set out in Article 5(1) above.

Article 12

This Agreement shall apply to the territories where the Treaty establishing the European Economic Community applies, on the conditions established in the said Treaty, and to the territories to which the Constitution of Malaysia applies.

Article 13

1. This Agreement shall enter into force on the first day of the month following the date on which the Contracting Parties have notified each other of the completion of the procedures necessary for the purpose. It shall remain in force until 31 December 1977.

2. This Agreement shall enter into force, in the manner defined in paragraph 1 of this Article, with effect from 1 November 1975.

3. Either Party may at any time propose modifications to this Agreement or denounce it provided that notice is given at least 120 days before the expiry of any twelve-month period; in the latter event the Agreement will come to an end at the expiry of the said twelve-month period.

4. Annexes and Protocols to this Agreement shall form an integral part thereof.

Article 14

This Agreement shall be drawn up in two copies in the German, French, Italian, Dutch, Danish and English languages and Bahasa Malaysia, each of these texts being equally authentic.

ANNEX I

Product for which Malaysia will Exercise Restraint Towards
the Whole Community from the Entry into Force of this Agreement

The Community hereby notifies Malaysia that the quantitative limits for the textile product listed below will be allocated between the member States as follows:

Product category	Member State	Quantitative limits (1,000 pieces)	
		1.11.1975 to 31.12.1976	1977
ex 61.03 Men's and boys' undergarments: - shirts	FRG	1,675 ^{1/}	1,534
	F	1,783	1,536
	I	49	63
	BNL	117	142
	UK	117	150
	IRL	4	4
	DK	583	503
	EEC	4,328	3,932

^{1/} It is understood by both Parties that the Community will raise no objection to the quota share for the Federal Republic of Germany being exceeded by up to 100 per cent of that quota share during each quota period established by this Agreement to the extent necessary to meet product requirements arising within the Federal Republic.

ANNEX IIProducts Subject to Special Consultation Procedures
Under the Provisions of Article 5

<u>CCT heading No.</u>	<u>Products</u>
55.09	Other woven fabrics of cotton.
56.07 A	Woven fabrics of synthetic textile fibres (discontinuous)
ex 60.04	Undergarments, knitted or crocheted, not elastic or rubberized: - Shirts, T-Shirts and the like
ex 60.05	Outergarments and other articles, knitted or crocheted, not elastic or rubberized: - Jerseys, pullovers, slipovers, twinsets, cardigans, bed jackets and jumpers
ex 61.01	Men's, boys', women's, girls' and infants' outergarments (other than knitted or crocheted): - Trousers, jeans, breeches and the like
ex 61.01 ex 61.02	Men's, boys', women's, girls' and infants' outergarments (other than knitted or crocheted) other than trousers, jeans, breeches and the like
ex 61.03	Men's and boys' undergarments: - Other than shirts
61.05.30	Handkerchiefs of cotton

ANNEX III

As agreed between the Parties in Article 10 of the Agreement, the administration of textiles imports from Malaysia will be based on a system of double checking. The details of this system have been agreed between the Parties and are set out below.

The competent authorities within the Community will, automatically and without delay, accept imports of textile products on submission of the importer's application together with the original export licence. The competent authorities within the Community shall be entitled to require the presentation of an export licence in respect of goods originating in Malaysia of the category shown in Annex I and (in any case where the provisions of Article 5 have been invoked) of Annex II. These export licences will be issued by the Malaysian authorities up to the total amount of the agreed ceilings.

The export licences issued by the Malaysian authorities shall be applicable to the products subject to restraint under the Agreement.

The export licence must specify:

1. Destination
2. Serial Number
3. Importer's name and address
4. Exporter's name and address
5. Quantity in the units designated in the Agreement and, where the quantity is expressed other than in weight, the equivalent weight calculated in accordance with the table of equivalencies set out in Annex IV
6. Category and description of product
7. Certificate issued by the Malaysian authorities showing that the quantity has been debited against the agreed ceiling for exports to the Community or, where appropriate, is for immediate re-export or for inward-processing and subsequent re-export outside the Community.

The competent authorities within the Community will not raise difficulties in the event of a discrepancy between the weight indicated in the export licence and the shipment or import weight provided it is within reasonable limits, while the Malaysian authorities, for their part, will endeavour to keep any discrepancies to a minimum.

In the event of total or partial withdrawal of an export licence, the Malaysian authorities will notify the competent authorities within the Community of such total or partial withdrawal. The authorities of the member States of the Community will take the appropriate measures in accordance with their existing administrative provisions.

The Malaysian authorities will forward to the competent authorities within the Community, via the Embassies of the member States of the Community and directly to the Commission, quarterly returns showing the details referred to in 1, 5 and 6 above covered by the export licences issued against the quantitative limits for exports to the Community, as well as the allocation of these export licences amongst the member States of the Community, for all categories of textiles exports to the Community subject to quantitative limits under this Agreement.

ANNEX IV

Table of Equivalencies Agreed for the
Purpose of the Application of the Flexibility Provisions
of this Agreement (Including its Annexes and Protocols)

<u>BTN heading</u>	<u>Description</u>	<u>Ratio of equivalence</u>
ex 60.05	Jerseys, pullovers, slipovers, twinsets, cardigans, bed jackets and jumpers, knitted or crocheted	5.18 pieces/kg.
ex 61.01 ex 61.02	Men's, boys', women's, girls' and infants' trousers, jeans, breeches and the like	2.47 pieces/kg.
ex 61.03	Men's and boys' shirts	4.60 pieces/kg.

ANNEX V

Conversion Factors

In the course of negotiating the Agreement, it was noted that restrictions previously in force in one member State had been expressed in square yards, whereas under the Agreement metric weight units are used for the Community as a whole. It was further noted that in order to arrive at base levels for quantitative limits in the new Agreement the relationship between square yards and metric tons had been directly derived from customs statistics relating to imports of the products in question from Malaysia.

The Malaysian delegation expressed concern lest, nevertheless, the effect of this change might prove to be restrictive in terms of the trade opportunities provided. For the avoidance of doubt, it was confirmed on behalf of the Community that the change of unit of measurement was in no way intended to have this effect.

It was further agreed that for a transitional period of two years (1975 and 1976) the Customs authorities of the member State concerned (the United Kingdom) would maintain a running check on both the tonnage and square yardage of imports from Malaysia and that if during this transitional period the square yard equivalent of the quantitative limits expressed in tons was not reached, additional imports would be accepted to a level not exceeding the square yard equivalent derived as indicated above. In case a new ratio emerges by the end of 1976, the quantitative limit for 1977 expressed in tons, will be fixed on the basis of new ratio and appropriate growth factor.

PROTOCOL (cont'd)

CCT heading No.	Products covered	Community region to which restriction is applied	Quantitative limits	
			1.11.1975-- 31.12.1976	1977
ex 60.05	Outergarments and other articles, knitted or crocheted, not elastic or rubberized: - jerseys, pullovers, slippers, twinsets, cardigans, bed jackets and jumpers	BNL F	233,333 pieces 583,333 pieces	212,000 pieces 530,000 pieces
ex 61.01 ex 61.02	Men's, boys', women's, girls' and infants' outergarments (other than knitted or crocheted): - trousers, jeans, breeches and the like	BNL F	740,833 pairs 583,333 pairs	673,100 pairs 530,000 pairs

EUROPEAN ECONOMIC COMMUNITY

Programme for the Elimination of Existing
Quantitative Restrictions

(Notification Made under Article 2(2)(i) of the Arrangement
Regarding International Trade in Textiles)

MALAYSIA

- (a) Belgium, Denmark, Federal Republic of Germany, France, Italy, Luxembourg and the Netherlands

No restrictions, other than those contained in the existing bilateral Agreement on trade in textiles between Malaysia and the Community, are maintained with respect to the countries listed above.

- (b) Ireland and the United Kingdom

The tables annexed (Annexes A and B) set out the process by which restrictions existing in each of the regions of the Community mentioned above will be eliminated.

It is to be noted that, as at 31 March 1976, the bilateral agreement negotiated between the EEC and Malaysia had not formally been concluded. Should such formal conclusion not take place, the Community reserves its right to modify the present notification.

ANNEX A

IRELAND

The following tables set out the process by which existing restrictions will be eliminated:

Table 1 - Attached - Sets out particulars of those products liberalized with immediate effect.

Table 2 - Attached - Sets out particulars of those products to be liberalized with effect from 1 January 1977.

Table 3 - Attached - Sets out particulars of those products to be liberalized not later than 31 March 1977.

Table 1PRODUCTS LIBERALIZED WITH IMMEDIATE EFFECT

CCT	Description of products
Ex 51.01	Yarns of man-made fibres (continuous) not put up for retail sale
Ex 51.04	Woven fabrics of man-made fibres (continuous) excluding synthetic linings
Ex 56.05	Yarns of man-made fibres (discontinuous or waste) not put up for retail sale excluding acrylic yarns
Ex 56.06	Yarns of man-made fibres (discontinuous or waste), put up for retail sale
Ex 56.07	Woven fabrics of man-made fibres (discontinuous or waste), excluding synthetic linings
Ex 59.07	Textile fabrics coated with gum or amylaceous substances, of a kind used for the outer covers of books and the like; tracing cloth; prepared painting canvas; buckram and similar fabrics for hat foundations and similar uses
Ex 59.09	Textile fabrics coated or impregnated with oil or preparations with a basis of drying oil
Ex 59.11	Rubberized textile fabrics, other than rubberized, knitted or crocheted goods
Ex 59.12	Textile fabrics otherwise impregnated or coated; painted canvas being theatrical scenery, studio back-cloths or the like
Ex 60.01	Knitted or crocheted fabric, not elastic nor rubberized
60.02	Gloves, mittens and mitts, knitted or crocheted, not elastic nor rubberized
Ex 60.06	Knitted or crocheted fabric and articles thereof, elastic or rubberized (including elastic knee-caps and elastic stockings)

Table 1 (cont'd)

CCT	Description of products
61.05	Handkerchiefs
61.06	Shawls, scarves, mufflers, mantillas, veils and the like
61.07	Ties, bow ties and cravats
61.08	Collars, tuckers, fallals, bodice fronts, jabots, cuffs, flounces, yokes and similar accessories and trimmings for women's and girls' garments
Ex 61.10	Gloves, mittens, mitts, stockings, socks and sockettes, not being knitted or crocheted goods
Ex 61.11	Made-up accessories for articles of apparel (for example, dress shields, shoulder and other pads, belts, muffs, sleeve protectors, pockets)
Ex 62.04	Tarpaulins, sails, awnings, sunblinds, tents and camping goods

Table 2PRODUCTS TO BE LIBERALIZED WITH EFFECT FROM 1 JANUARY 1977

CCT	Description of products
55.08	Terry towelling and similar terry fabrics of cotton
Ex 58.04	Woven pile fabrics and chenille fabrics (other than terry towelling or similar terry fabrics of cotton falling within heading No. 55.08 and fabrics falling within heading No. 58.05)
Ex 59.08	Textile fabrics impregnated, coated, covered or laminated with preparations of cellulose derivatives or of other artificial plastic materials
60.03	Stockings, under-stockings, socks, ankle socks, sockettes and the like, knitted or crocheted, not elastic nor rubberized

Table 3PRODUCTS TO BE LIBERALIZED

CCT	Description of products
Ex 51.04	Synthetic linings (continuous)
55.09	Other woven fabrics of cotton
Ex 56.05	Acrylic yarns
Ex 56.07	Synthetic linings (discontinuous)
60.04	Undergarments, knitted or crocheted, not elastic nor rubberized
Ex 60.05	Outergarments and other articles, knitted or crocheted, not elastic nor rubberized
61.01	Men's and boys' outergarments
61.02	Women's, girls' and infants' outergarments
Ex 61.03	Men's and boys' undergarments, including collars, shirt fronts and cuffs, excluding shirts
61.04	Women's, girls' and infants' undergarments
61.09	Corsets, corset-belts, suspender-belts, brassières, braces, suspenders, garters and the like (including such articles of knitted or crocheted fabric) whether or not elastic
62.01	Travelling rugs and blankets
Ex 62.02	Bed linen, table linen, toilet linen and kitchen linen; curtains and other furnishing articles

ANNEX B
UNITED KINGDOM

<u>PRODUCT</u>	<u>QUOTA</u>
	<u>1.1.76-31.3.77</u>
55.05	100,000 sq. yds.
55.06	
55.08	
ex 58.04	
ex 59.13	
ex 61.04	
ex 61.06	
ex 61.02	
ex 62.05	

Note: The above yardage includes the quotas for cotton yarn and for the purpose of calculation 1 lb. of yarn is taken as being equal to 4.6 sq. yds.