

GENERAL AGREEMENT ON TARIFFS AND TRADE

Textiles Surveillance Body

REPORT OF THE NINTH MEETING (1983)¹

1. The Textiles Surveillance Body held its ninth meeting of 1983 on 16-18 May.
2. Present at this meeting were the following members and/or alternates: Messrs. Bajwa, Chau², Delgado/Patriota, Keck/Richardson, Kittisataporn/Bondad², Sato², Shepherd and Westlund.
3. The report of the eighth meeting was adopted and has been circulated as COM.TEX/SB/851.
4. The following points were discussed:

Sweden/Sri Lanka

5. The TSB reverted to its review of a notification by Sweden of a bilateral agreement concluded with Sri Lanka under Articles 1:2, 4 and 6:4 of the Arrangement as extended by the 1981 Protocol, valid from 1 August 1982 to 31 July 1984.
6. The TSB observed that the increases over base levels (0.4 per cent, in the "Rest" group 0.8 per cent) and the growth rates between the two agreement years (0.4 per cent) were below both the rate of not less than 6 per cent established in Annex B and the rates of the previous Sweden/Sri Lanka agreement.
7. The TSB also observed that the agreement did not provide for swing, carryover and carry forward and noted the statement by Sweden that the absence of flexibility was agreed to by both parties in terms of paragraph 11 of the 1981 Protocol.
8. With regard to the consultation provisions relating to the adjustment of quotas under Article 8 of the bilateral agreement, the TSB:
 - (a) understood that the parties had considered this mechanism as a means of dealing with the situation referred to in paragraph 10 of the 1981 Protocol, if and when such a situation exists;
 - (b) understood that any quantitative measure taken under this provision would be notified to the Body, in accordance with Article 4 of the MFA, as a modification to the agreement, and affirmed that it would review any such action with regard to its consistency with the MFA as extended;

¹Hundred and forty-ninth meeting overall

²Part-attendance

- (c) questioned, on this occasion, the application of this clause to the "Rest" group;
- (d) questioned the appropriateness of the last paragraph of this Article concerning equity provisions in favour of Sweden.

9. In relation to the general consultation provisions contained in Article 10 of the agreement, the TSB, recalling its observation and recommendation in the context of a similar clause in the agreement between Sweden and Singapore (COM.TEX/SB/840, paragraph 7), took note of the statement by Sweden reaffirming that the application of the said clause would be fully consistent with the provisions of the MFA.

10. The TSB, noting that the agreement referred to Article 6:4 of the Arrangement, expressed the view that it was difficult to see how this provision of the Arrangement and those set out in paragraph 12 of the 1981 Protocol were reflected in the agreement.

11. While recognizing the difficult situation in which the Swedish textile industry finds itself, and the wish of the Swedish authorities to maintain Sweden's minimum viable production, the TSB was of the opinion that:

- (a) the small share of Sri Lanka in the Swedish market in respect of some products covered by the agreement did not fully justify the low growth rates and the lack of flexibility;
- (b) the low level of restraint with respect to the "Rest Group" limits the access of Sri Lanka to the Swedish market for the products included therein;
- (c) Paragraph 11 of the Protocol should not be considered as providing an automatic waiver of all flexibility for MVP countries;
- (d) the parties should take into consideration the preceding comments and observations in the event of holding consultations during the life of the current agreement, or in the event of the negotiation of a new bilateral agreement between them.

12. After its review, the TSB agreed to transmit this notification to the Textiles Committee (COM.TEX/SB/852).

EEC/Singapore

13. The TSB reviewed a notification of a new Article 4 bilateral agreement initialled by the EEC and Singapore, in de facto application with effect from 1 January 1983 and valid until 31 December 1986.

14. In this agreement:

- (a) five restraints previously in force had been removed, and one category previously subject to a regional limit, had been newly brought under Community restraint;

- (b) categories 24 and 25 had been merged;
- (c) increases in quotas over base levels for categories and sub-categories under restraint ranged between 0.5 and 10 per cent, with, in one case, an increase in quota of 118 per cent;
- (d) growth rates within the agreement period were lower than the rate of not less than 6 per cent set out in Annex B;
- (e) swing was subject to limitations and was in no case higher than 5 per cent;
- (f) carryover and carry forward were set at 5 and 5 per cent, respectively;
- (g) possibilities were provided by the EEC for transferring a portion of quotas among ASEAN member countries.

15. The TSB heard statements by the EEC drawing attention to its economic difficulties at the time of negotiation of this agreement which, according to the EEC, explained the rates of growth and swing established in this agreement in the face of exceptional circumstances as set out in Annex B.

16. With reference to the possibilities provided by the EEC for transferring a portion of quotas among ASEAN member countries, the TSB felt that it would be useful if it could be informed of the utilization of these possibilities.

17. The TSB did not address itself on this occasion to the provisions of Articles 4 and 5 of this agreement, concerning re-imports of textile products after processing and handloom and cottage industry products, respectively.

18. The TSB noted that in some cases the increases in base levels, together with the growth rates in the agreement, led to overall annual increases in access for these categories of over 6 per cent, and that the merging of categories 24 and 25 afforded increased flexibility to Singapore in its access to the Community's market for these categories.

19. In concluding its review, the TSB noted the availability of the consultation provisions in the agreement to enable the situation prevailing at the time of the negotiations to be periodically reviewed, as provided for in paragraph 8 of the Protocol of Extension and bearing in mind the basic objectives of the MFA as set out in Article 1, paragraph 2, thereof.

20. After its review of this notification, the TSB agreed to transmit it to the Textiles Committee (COM.TEX/SB/853).

¹ See paragraphs 22 and 23 of the report of the sixth meeting (COM.TEX/SB/841). General observations on Articles 8, 9 and 12 of this agreement are contained in paragraphs 13 to 21 of the same report.

EEC/Pakistan

21. The TSB reviewed a notification of a new Article 4 bilateral agreement initialled by the EEC and Pakistan, in de facto application with effect from 1 January 1983 and valid until 31 December 1986.

22. In this agreement:

- (a) Community restraints previously in force on two categories had been removed, while two categories had been newly brought under regional restraint;
- (b) increases in quotas over base levels for categories and sub-categories continuing under restraint ranged between 0.7 and 39.2 per cent for Group I categories, and between 6 and 80 per cent for other categories; for categories newly placed under restraint, the levels were substantially greater than previous trade levels;
- (c) growth within the agreement was set at 6 per cent for one sub-category under Community restraint and six categories under regional restraint, while for other categories growth was lower than 6 per cent;
- (d) for most categories under restraint, combined base level increases and annual growth rates provided for a compounded growth rate, for the four years of the agreement, higher than 6 per cent;
- (e) swing was subject to limitations and was in no case higher than 5 per cent;
- (f) carryover and carry forward were set at 5 and 5 per cent, respectively.

23. The TSB noted a statement by the EEC that the growth provisions for some categories, and the swing provisions, reflected the existence of exceptional cases, as set out in paragraphs 2 and 5 of Annex B.

24. The TSB did not address itself on this occasion to the provisions of Articles 4 and 5 of this agreement, concerning re-imports of textile products after processing and handloom and cottage industry products, respectively.¹

25. In the light of the elements referred to in paragraphs 22 and 23 above, the TSB agreed to transmit this notification to the Textiles Committee (COM.TEX/SB/854).

Austria/Hong Kong

26. The TSB reverted to its review of a new agreement concluded under Article 4 between Austria and Hong Kong, extending restraints on four product groups for the period 1 February 1983 to 31 January 1984.

¹ See paragraphs 22 and 23 of the report of the sixth meeting (COM.TEX/SB/841). General observations on Articles 8, 9 and 12 of this agreement are contained in paragraphs 13 to 21 of the same report.

27. In this agreement:

- (a) The increases over base levels (0.5 to 2.8 per cent) were lower than the growth of not less than 6 per cent established in Annex B;
- (b) The percentage increases with respect to three categories were lower than those in the previous Austria/Hong Kong agreement whereas the percentage increase in the remaining category was higher;
- (c) Swing was set at 5 per cent;
- (d) Carryover and carry forward were set at 10 and 5 per cent respectively.

28. The TSB took note of the statement by Austria that in view of the existing exceptional circumstances in terms of Annex B in these categories, growth rates lower than 6 per cent and swing of 5 per cent had been agreed upon between both parties.

29. In reviewing this agreement, the TSB was not able to draw a conclusion as to the existence of the exceptional circumstances cited by Austria as having been recognised by both parties with respect to two of the categories under restraint.

30. After its review, the TSB agreed to transmit this notification to the Textiles Committee. (COM.TEX/SB/855).

Canada/Czechoslovakia

31. The TSB reviewed a notification by Canada of a new bilateral agreement concluded with Czechoslovakia under Article 4 of the MFA, valid from 1 January 1982 to 31 December 1986. The TSB found that this agreement, the first between the parties, was on overall terms consistent with the provisions of Article 4 of the MFA, and agreed to transmit it to the Textiles Committee (COM.TEX/SB/856).