

GENERAL AGREEMENT ON TARIFFS AND TRADE

Textiles Surveillance Body

REPORT OF THE TENTH MEETING (1983)¹

1. The Textiles Surveillance Body held its tenth meeting of 1983 on 31 May and 1 and 2 June.
2. Present² at this meeting were the following members and/or alternates: Messrs. Chau², Keck/Richardson, Kittisataporn, Patriota, Puri, Sato, Shepherd and Westlund.
3. The report of the ninth meeting was adopted and has been circulated as COM.TEX/SB/857.
4. The following points were discussed:

United States/Korea

5. The TSB reviewed a new Article 4 bilateral agreement between the United States and Korea, valid from 1 January 1982-31 December 1987.
6. In this agreement:
 - (a) the aggregate and group limits contained in the previous agreement between the parties had been removed;
 - (b) restraints on six categories or combined categories had been removed, while new restraints had been introduced on five categories or combined categories; thus, thirty-three items were subject to specific restraint in this new agreement;
 - (c) the parties had agreed that the new agreement would replace and supersede the previous agreement, as amended, with respect to the agreement year 1982, and that 1981 was therefore considered as the reference year for the restraint levels established;
 - (d) with respect to items continuing under restraint, base levels for cotton products were increased by 6.5 per cent from 1981 levels, with a joint increase in quota of 22.5 per cent for categories 333/334 and 335, and those for wool products by 0.5 per cent, while increases for man-made fibre products ranged from 0.6 per cent to 5 per cent and to around 8 per cent in two cases; with, in a number

¹ Hundred and fiftieth meeting overall

² Part-attendance

of cases, an element of swing built into the base level. Base levels for categories newly brought under restraint were substantially higher than previous trade levels;

- (e) growth rates agreed during the life of the agreement were 4.5 per cent for all cotton products; for wool products, growth was generally 0.5 per cent, with one item having no growth and one having 1 per cent; and for mmf products, growth rates ranged between 0.5 and 3.5 per cent, with two items covering cordage, newly brought under restraint, having 6 per cent growth;
- (f) swing was set at 6 per cent for cotton products, 5 per cent for wool products. For man-made fibre products, swing varied from 2 to 6 per cent. For four items no swing was available; for three of these, swing had been incorporated in the base level. For two other combined items, a measure of swing was available in addition to some swing built into the base levels;
- (g) carryover and carry forward, available after agreement through consultations between the parties, were generally established at 10 and 5 per cent respectively, with a limitation on combined use of carryover/carry forward of 10 per cent. Carryover was not available into the first agreement year, nor was carry forward available into the final agreement year. For two combined categories, carry forward was limited to one per cent;
- (h) there were consultation procedures and criteria pursuant to which restraints on additional products could be established.

7. The TSB noted that, in a number of cases, information provided by the United States concerning the base levels, growth and swing provisions contained in the agreement reflected the existence of exceptional circumstances as set out in paragraphs 2 and 5 of Annex B and paragraph 9 of the 1981 Protocol of Extension. The TSB also heard a statement by the United States concerning the situation of the wool sector.

8. The TSB was of the view that in some restrained categories, growth rates lower than 6 per cent and swing of less than 7 per cent could not be justified on the basis of exceptional circumstances provided for in paragraphs 2 and 5 of Annex B.

9. In reaching its conclusions, the TSB noted that base levels in the new agreement were, in many cases, lower than in the superseded year of the previous agreement, and that growth rates were in all but two cases lower than those set out in Annex B and, in all cases referring to Categories previously under restraint, lower than those contained in the previous agreement. The TSB also observed that the increases provided for in base levels for products newly brought under restraint were substantially above previous trade levels, and that the removal of aggregate and group limits had provided scope for a substantial increase in trade from Korea, particularly in non-apparel items, in 1982. Considering that the elements contained in

the agreement as set out in paragraphs 6, 7 and 8 above seemed to offer a measure of balance, and on the basis of its overall assessment, the TSB agreed to transmit this agreement to the Textiles Committee. (COM.TEX/SB/859)

EEC/Hungary

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

11. In this agreement:

- (a) previous restraints on thirty-two categories at the Community level and four categories at the regional level had been maintained;
- (b) reductions in quotas from previous restraint levels with respect to six categories ranged between 1.7 and 17.1 per cent;
- (c) increases in quotas over previous restraint levels for other categories ranged between 1.1 and 28.7 per cent, with increases over 6 per cent for eight categories;
- (d) growth rates within the agreement for most categories were lower than in the previous agreement, and lower than 6 per cent except for one category;
- (e) for a few 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;
- (f) swing was subject to limitations and ranged between 3.5 and 5 per cent;
- (g) carryover and carry forward were set at 5 and 5 per cent;
- (h) there was a limitation on the cumulative use of flexibility provisions;
- (i) a price clause was included.

12. The TSB took note of a statement by the Community regarding base levels, growth and flexibility provisions in the agreement. According to the Community, reductions in the base levels of a number of under-utilized categories were agreed upon in return for increases in some other base levels; as regards growth rates lower than 6 per cent for most categories and reduced flexibility, these were justified for reasons of exceptional circumstances. The Community also stated that the price clause which had been included in the previous agreement had not been invoked.

13. As regards Article 5 of the agreement, concerning provisions on prices, the TSB reaffirmed that such price clauses fall outside the framework of the MFA. The TSB once again expressed its view that the application of such clauses could be in conflict with the provisions of Article 9:1 of the Arrangement and, therefore, recommended to the parties to the agreement that they should ensure that in implementing the bilateral agreement the provisions of Article 9:1 be fully observed.¹

14. The TSB did not address itself on this occasion to the provisions of Paragraphs 1 and 4 of Article 3 of this agreement, concerning handloom and cottage industry products² and re-imports of textile products after processing, respectively.

15. After its review, the TSB agreed to transmit this notification to the Textiles Committee. (COM.TEX/SB/860)

EEC/Poland

16. The TSB began its consideration of a new Article 4 bilateral agreement with Poland, notified by the EEC. It was agreed to revert to this notification at the next meeting.

Request for information under Article 11

17. The TSB agreed that as in previous years, the Chairman should send letters to all participating countries requesting them to provide information on all restrictions maintained by them on textile and clothing products, in order for the Body to carry out its obligations under Article 11:11, 11:12 and 11:2 of the Arrangement.

¹ See also COM.TEX/SB/457 and 477

² See paragraphs 22 and 23 of the report of the sixth meeting of 1983 (COM.TEX/SB/841). General observations contained in paragraphs 13, and 15 to 21 of the same report also apply to Articles 7, 8 and 9 of this agreement.