

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Special Distribution

Textiles Surveillance Body

ACTIVITIES OF THE TEXTILES SURVEILLANCE BODY

REPORT TO THE TEXTILES COMMITTEE BY THE TEXTILES SURVEILLANCE BODY¹

Attached is a report by the Textiles Surveillance Body on its activities during the period from 27 November 1982 to 9 November 1983.

This report is submitted to the Textiles Committee pursuant to the requirements of Article 10, paragraph 4, and Article 11, paragraphs 11 and 12 of the Arrangement.

¹Addendum 1 to this document contains tables relating to restrictions reviewed by the TSB during the period 27 November 1982 to 9 November 1983.

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Introduction

Scope of the report

1. The report of the TSB is submitted to the Textiles Committee under the provisions of Article 10:4 of the MFA, in order to assist the Committee to review the operation of the Arrangement. Under Article 11, paragraphs 11 and 12, the TSB is required to review all restrictions or bilateral agreements entered into by participating countries, and report its findings annually to the Textiles Committee. In preparing this report, the TSB bore in mind its rôle as set out in Article 11 of the MFA and as reaffirmed in paragraphs 18 to 21 of the 1981 Protocol of Extension.

2. The period covered by this report is 27 November 1982 to 9 November 1983. In this period the TSB held twenty meetings.

3. In the previous report which had covered the first ten months of the operation of the 1981 Protocol, the TSB had not attempted to make any overall appraisal of trends in the operation of the Arrangement, as extended by the 1981 Protocol, as it had not at the time received an adequate number of agreements and measures to permit such appraisal.¹ In this report the TSB has made a first overview of the implementation of the 1981 Protocol based on notifications reviewed to date.

4. The report is divided into two chapters:

Chapter I outlines all notifications reviewed and/or received by the TSB during the period covered by this report. These notifications include:

- A. Notifications received under Article 2, paragraphs 1 and 4;
- B. Measures taken under Article 3, and TSB recommendations and observations on these measures;
- C. Bilateral agreements or modifications of agreements under Article 4;
- D. TSB observations on notifications made under Article 4;
- E. Notifications made under Articles 7 and/or 8; and
- F. Notifications made under Article 11.

Details of restrictions contained in the above-mentioned notifications are contained in the Addendum to this report.

Chapter II contains the TSB's observations relating to the implementation of the Arrangement as extended by the 1981 Protocol, based on the notifications reviewed to date.

¹ See COM.TEX/SB/811, paragraph 3

Parties to the MFA

5. By 9 November 1983 the 1981 Protocol had been accepted by thirty-nine parties. They are: Argentina, Austria, Bangladesh, Brazil, Canada, Colombia, Czechoslovakia, European Economic Community, Egypt, El Salvador, Finland, Guatemala, Haiti, Hungary, India, Indonesia, Israel, Jamaica, Japan, Korea, Malaysia, Maldives, Mexico, Pakistan, Peru, Philippines, Poland, Portugal on behalf of Macao, Romania, Singapore, Sri Lanka, Sweden, Switzerland, Thailand, Turkey, United Kingdom on behalf of Hong Kong, United States, Uruguay and Yugoslavia.

6. Under the Chairmanship of Ambassador Marcelo Raffaelli, the membership of the TSB for the period covered by the report was as follows:

November-December 1982

<u>Members</u>	<u>Alternates</u>
Mr. J.L. MacNeil (Canada)	Mr. M. Pullinen (Finland)
Dr. M.A. El Gowhari (Egypt)	Mr. M.A. Bajwa (Pakistan)
Mr. J.R. Beck (EEC)	Mr. J. Scheele (EEC)
	(Replaced by Mr. J. Keck in October 1982)
Mr. T. Sato (Japan)	Mr. Y. Matsui (Japan)
Mr. H. Hyun (Korea)	Mr. T.H. Chau (Hong Kong)
Mr. Siraj Haron (Malaysia)	Mr. Choophong Angpiroj (Thailand)
Mr. S. Delgado (Mexico)	Mr. C.A.R. Santos-Neves (Brazil)
Mr. R.E. Shepherd (United States)	-

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Mr. J.R. Beck (EEC)	Mr. J. Keck (EEC)
(replaced in April 1983 by Mr. J. Keck)	(replaced in April 1983 by Mr. H. Richardson)
Mr. T.H. Chau (Hong Kong)	Mr. H. Hyun (Korea)
Mr. T. Sato (Japan)	Mr. Y. Matsui (Japan)
Mr. S. Delgado (Mexico)	Mr. C.A.R. Santos-Neves (Brazil)
	(replaced in April 1983 by Mr. A. Patriota)
Mr. M.A. Bajwa (Pakistan)	Mr. H.S. Puri (India)
Mr. T. Westlund (Sweden)	Mr. J.L. MacNeil (Canada)
Mr. C. Angpiroj (Thailand)	Mr. D. Bondad (Philippines)
(replaced in February 1983 by Mr. K. Kittisataporn (Thailand))	(replaced during June 1983 by Mrs. S. Sjahruddin (Indonesia))
Mr. R.E. Shepherd (United States)	

Chapter I

Notifications reviewed by the TSB

7. All notifications reviewed by the TSB during the period under consideration have been transmitted to the Textiles Committee in the COM.TEX/SB/- series of documents.

A. Notifications under Article 2

8. Notifications under Article 2 concern (a) existing quantitative restrictions maintained on acceptance of, or accession to, the Arrangement as required under paragraph 1; and (b) the status of restrictions maintained by participating countries, non-contracting parties to the GATT.

9. During the period under review Maldives accepted the Arrangement on 19 April 1983. A report under Article 2:1 is awaited by the TSB.

10. Participating countries, non-contracting parties to GATT, which maintain restrictions, are required to notify the status of restrictions under Article 2:4. This requirement is in fulfilment of the procedure evolved by the TSB for the review of restrictions maintained by non-contracting participants. Notifications received from El Salvador, Guatemala and Mexico, which also met the requirements of Article 11, paragraphs 11, 12 and 2, have been included in Section F of this Chapter.

B. Measures taken under Article 3

11. The TSB considered unilateral measures taken under Article 3, paragraph 5, by Canada and the United States.

Canada/Indonesia¹

12. In June 1983 Canada notified a unilateral action taken under Article 3:5 of the Arrangement, relating to imports of tailored-collar shirts from Indonesia. The TSB heard statements from both parties relating to their respective cases.

13. In the course of its discussions on this measure, the TSB was informed by the two parties concerned that considerable progress had been made in bilateral discussions and that further consultations would be held in Ottawa in early August. The TSB took note of this information and requested the parties to report back to it prior to its meeting scheduled in September.

14. The TSB received reports from Canada and Indonesia on the results of the consultations between them. The TSB took note that an ad referendum agreement had been reached between the parties for the year 1983. This agreement will be reviewed when notified to the TSB.

¹ COM.TEX/SB/870 and 882

United States/Indonesia

15. In October 1983 the United States notified an action taken under Article 3:5 on cotton coats (Category 335) imported from Indonesia. Subsequently, the TSB was informed that a memorandum of understanding on a mutually satisfactory solution under Article 4 had been initialled by the two parties,¹ and understood that the results would be notified to it in due course.

United States/Maldives

16. At its meetings held on 22-24 June and 18-22 and 27 July 1983, the TSB considered a complaint by the Republic of Maldives concerning unilateral restrictions introduced by the United States in September and December 1982 on imports of woollen sweaters from the Maldives, at levels of 15,210 dozen for women's, girls' and infants' sweaters (category 446) for the period 29 September 1982 to 28 September 1983, and 12,756 dozen for men's and boys' sweaters (category 445) for the period 26 December 1982 to 25 December 1983.

17. At the time when the actions were taken, Maldives was not a participant in the Arrangement. Maldives accepted the MFA, as extended by the 1981 Protocol, on 19 April 1983. Notifications by the Maldives and the United States were made under Articles 11:5 and 3:5 of the MFA, respectively, in June 1983.

18. At the meeting of 22-24 June, the TSB heard statements from both parties relating to their respective cases, and made a number of observations and an interim recommendation which are contained in COM.TEX/SB/870, paragraphs 6 to 8.

¹COM.TEX/SB/890 and 910

Notifications received and/or reviewed of action
under Article 3 since 27 November 1982 to 9 November 1983

Importing country	Unilateral action under 3:5	COM.TEX/SB/-
CANADA	Indonesia ¹ (28.1.83-27.1.84)	870, 882
UNITED STATES	Indonesia ² (1.7.83-30.6.84)	890, 901
	Maldives ³ (29.9.82-28.9.83)	870, 880, 882

¹The measures have been superseded by an ad referendum agreement for the year 1983

²The measures will be superseded by a bilateral agreement which was agreed upon between the parties

³Agreement has been reached for the products concerned between the parties

19. At the meeting of 18-22 and 27 July, the TSB received reports from both parties on the continuation of negotiations following the interim recommendation. Both parties reported that it had not been possible to reach a mutually satisfactory solution. The United States reported that: "Given the fact that further negotiations prior to the July 18-22 session of the TSB could not be arranged, the United States Government, in response to the request of the Maldives, and in keeping with the June 24 interim recommendation of the TSB, has taken steps to merge the two categories at a level of 34,000 dozen for the period September 29, 1982 - September 28, 1983". The Republic of Maldives reported that: "The action of the United States in merging these categories at a level of 34,000 dozen does not alleviate the problems of market access for the Republic of Maldives nor does it reflect the recommendation of the Textiles Surveillance Body (TSB)".

20. Following the TSB's consideration of this question, the members expressed the opinions and made the statements which are set out in document COM.TEX/SB/880. A complete report on the situation was made to the Textiles Committee and the GATT Council in documents COM.TEX/SB/879 and L/5528.

21. Subsequently, the TSB received notifications from both parties reporting that the United States had proposed, pursuant to Article 3:8, that the restraint be extended for an additional year (i.e. until 28 September 1984) but the Maldives did not accept this proposal. The United States reported that, consequently, it would not extend the restraint. The TSB was later informed that agreement between the parties had been reached on the products concerned, and that it would be notified in due time.

C. Bilateral agreements or modifications of agreements under Article 4²

22. During the period under review the TSB received or reviewed seventy-two notifications of fifty-three agreements, eleven modifications and eight extensions of agreements concluded under Article 4. These concerned the following participants:

Austria	-	Brazil, Hong Kong, India, Korea, Philippines
Canada	-	Czechoslovakia, Hong Kong, India, Korea, Macao, Malaysia, Philippines, Poland, Romania, Singapore, Thailand
EEC	-	Brazil, Colombia, Czechoslovakia, Egypt, Guatemala, Hong Kong, Hungary, Indonesia, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Singapore, Sri Lanka, Thailand, Uruguay

¹ COM.TEX/SB/882

² In addition to the agreements covered by this report, the following agreements notified under the 1981 Protocol (included in the previous Annual Report, COM.TEX/SB/811) remain valid: Finland - Hong Kong, Macao, Pakistan; United States - Brazil, Japan, Mexico, Pakistan, Singapore.

Finland - India, Korea, Malaysia, Romania, Thailand

Sweden - Brazil, Hong Kong, India, Indonesia, Pakistan, Philippines, Singapore, Sri Lanka, Yugoslavia

United States - Colombia, Hong Kong, Hungary, India, Indonesia, Korea, Philippines, Romania, Sri Lanka

A list of these notifications is contained in the table at the end of this Section.

23. The following paragraphs contain: (i) a summary of notifications concerning product coverage, growth and flexibility provisions, on a country-by-country basis; (ii) other elements contained in bilateral agreements. The TSB's observations on the notifications are contained in Section D.

(i) Summary of notifications

24. The summaries below should be read in conjunction with the tables contained in the addendum, which provide full details concerning product coverage, restraint levels, growth and flexibility provisions contained in the notifications.

Austria

25. A new agreement with Brazil was notified for the period 1 November 1982 to 31 October 1987. The agreement, which had been first concluded under Article 3:4, was re-negotiated under Article 4. Restraints were maintained on the same products (cotton yarn and printed cotton fabrics) as in the previous agreement. Base-levels were increased by 3 and 5.2 per cent over previous restraint levels, and growth rates of 2 and 3 per cent were provided. Swing, not provided for in the previous agreement, was set at 5 per cent.

26. Austria notified a new one-year agreement with Hong Kong for the period 1 February 1983 to 31 January 1984. The product coverage remained unchanged from the previous agreement. Growth in the previous agreement was 2 per cent for all restrained products; in the new agreement the increase in levels was 0.5 per cent for two products, 1.9 per cent for one product and 2.8 per cent for one product; swing was set at 5 per cent.

27. A new agreement with India was concluded for the period 1 January 1983 to 31 December 1986. The aggregate level previously existing for cotton products had been removed, while previous restraints on three products were maintained. The increase in base-levels was higher than 6 per cent. Growth within the agreement was set at 3 per cent for blouses and shirts and 4 per cent for bed-linen. Swing, not provided for in the previous agreement, was set at 5 per cent.

28. An agreement with Korea was concluded for the period 1 August 1982 to 31 December 1986. The products under restraint remained unchanged from the previous agreement. Growth was set at 6 per cent for two cotton categories and other categories were provided growth at less than 6 per cent. Swing at 5 per cent was provided for five categories and at 3 per cent for three categories. The agreement also placed limitations on the cumulative use of the flexibility provisions.

29. The agreement with the Philippines which was to expire on 31 July 1983 was extended ad interim to 31 December 1983, in order to provide the necessary time to negotiate a new agreement.

Canada

30. A new agreement was concluded between Canada and Czechoslovakia. There was no previous agreement between the parties, and restraints were set at levels considerably higher than previous trade, except in the case of fine suits. Growth was set at 6 per cent for two products (trousers and terry towels) and at 3 per cent for two products (fine suits and worsted fabrics). A limitation was put on the combined use of all flexibility provisions.

31. A new agreement with Hong Kong was concluded for the period 1 January 1982 to 31 December 1986. The same product coverage was maintained as in the previous agreement, with certain regrouping of categories. In this agreement ten product categories previously under specific restraint were made subject to the agreed Export Authorization system (winter outerwear, shirts with tailored collar for men and boys, bathrobes, children's sleepwear, suits and co-ordinates, overcoats, etc., jackets, professional and shop coats, fine suits, bedsheets and cotton terry towels). Although regrouping of categories made comparison difficult, base-levels of products which continued to be under restraint increased between 0.2 and 4.7 per cent. Except in two cases, which had growth at 6 per cent, growth rates were lower than 6 per cent (between 0.5 and 4 per cent). Extra growth was provided for in four categories in the event of higher utilization of quotas (90 per cent or over). Swing was set at 5 per cent, and a limitation was put on the cumulative use of flexibility provisions. Under paragraph 10 of the Protocol the two parties had agreed to special provisions for transfer of quotas from three under-utilized categories to three other fully utilized categories.

32. The agreement with Hong Kong was modified by the introduction of restraints on six items which had been put under the Export Authorization system. These restraints, introduced with retroactive effect from 1 January 1982, concerned winter outerwear, shirts with tailored collar, suits and co-ordinates, jackets, professional and shopcoats, bedsheets and cotton terry towels. The restraint levels were above previous trade levels, but below restraint levels contained in the agreement which expired on 31 December 1981.

33. The previous agreement with India, which expired on 31 December 1981, was extended by one year to facilitate bilateral negotiations between the parties. A new agreement was concluded for the period 1 January 1983 to 31 December 1986. Product coverage included all items previously under restraint plus work gloves. The structure was modified, by dividing the

products into apparel and textile groups, each group having group limits. Within these group limits, specific restraints were maintained on three products (shirts with tailored collar, trousers and worsted fabric), other products previously under specific limits were made subject to the group limits (other shirts, dresses, skirts and jackets in the apparel group and cotton terry products and work gloves in the textiles group), thus providing for increased flexibility. The increase in base-levels for the three restrained items were at 6 per cent (shirts), higher than 6 per cent (trousers), and 5.9 per cent (worsted fabric). Swing was established at 5 per cent for the apparel and textile groups and at 7 per cent for the clothing products under specific restraint.

34. The new agreement with Korea covered the same products as in the previous agreement, with a recategorization of some products. Base-levels of four categories covering trousers and overalls, shirts and blouses, sweaters and household textiles were lower than previous restraint levels. There was no increase in base-levels for two categories (work gloves and handbags). Increase in base-levels below 6 per cent was provided to five categories (winter outer garments, shirts with tailored collar, coats, jackets and rainwear, fine suits and hosiery), and at rates above 6 per cent for the other categories. Growth rates ranged between 1.2 and 10 per cent and swing between 2 and 7 per cent. Limitations were also set on the combined use of flexibility provisions.

35. The new agreement with Macao for the period 1 January 1982 to 31 December 1986 introduced an aggregate limit on clothing items. Within this aggregate limit specific restraints on three products were removed (other shirts, T-shirts and sweatshirts, men's and boys' unstructured suits), and made subject to consultation, while other products not included in the previous agreement (sleepwear; dresses and skirts; women's, girls', children's and infants' co-ordinates; foundation garments, underwear and swimwear) were made subject to the aggregate limit. Specific restraints on other previously restrained products were maintained. Increase in base-levels over previous restraints were between 6 and 11 per cent, and growth was set at 6 per cent. A limit was set on the cumulative use of flexibility.

36. The agreement with Malaysia was concluded for the period 1 January 1982 to 31 October 1986. In addition to the products previously under restraint, the coverage was extended to include sweaters. Two products (shirts and blouses, acrylic yarn) previously under specific limit were made subject to consultation at levels higher than previous restraint levels. Increases in base-levels for the restrained items were 7.5 per cent over previous restraint (shirts, tailored collar) and considerably higher than previous trade for sweaters, and growth was set at 6 per cent. A limit was fixed on the combined use of flexibility.

37. The new agreement with the Philippines, for the period 1 January 1982 to 31 December 1986, expanded the product coverage by introducing restraints on trousers, coats and jackets and fine suits, and making sweaters, previously under specific restraint, subject to a consultation level. Base-levels for restrained items were increased at rates much higher than 6 per cent, and growth rates were set at 8 per cent for one item (children's wear) and 6 per cent for other items.

38. The new agreement with Poland, for the period 1 January 1982 to 31 December 1986, contained an expansion in the product coverage, by the inclusion of trousers, blouses and coats, jackets and rainwear. Three textile products previously under specific restraint were brought under consultation at lower levels. Base-levels for two products (shirts other than men's and boys' and sweaters) were below previous restraint levels, but well above trade in 1980 and 1981. Other base-levels showed increases over previous restraint or trade levels, of below 6 per cent in three cases, 6 per cent in four cases and substantially above 6 per cent in three cases. Growth was set at 3 per cent for five categories, and 6 per cent for other categories. The agreement also contained limitations on the use of flexibility.

39. Product coverage in the new agreement with Romania for the period 1 January 1982 to 31 December 1986 was expanded by the inclusion of nylon fabrics, blouses, sleepwear, bathrobes and rainwear. The grouping of products was modified and a number of sub-limits removed. There were reductions in base-levels for two groups of products (outerwear and worsted fabric) from previous restraint levels, but not from previous trade. Base-levels for other groups of products were increased by more than 6 per cent. Growth was set at 3 per cent for four categories and 6 per cent for three categories. Limitations were set on the combined utilization of flexibility provisions.

40. The new agreement with Singapore was concluded for the period 1 January 1983 to 31 December 1986. The previous agreement with its validity ending on 30 June 1982, had been extended for a six-month period. Two products (trousers and sweaters) previously under Export Authorization, were placed under restraint in the new agreement. Base-levels for all products under restraint were increased by more than 6 per cent, and growth within the agreement was set at 6 per cent. A limit was set on the cumulative use of flexibility.

41. Product coverage in the new agreement with Thailand for the period 1 January 1982 to 31 December 1986 was expanded to include trousers, which was made subject to a consultation level. One previously restrained category (dresses, skirts, etc.) was brought under consultation. Base-levels of all restrained products were increased by more than 6 per cent, and growth rate set at 6 per cent.

EEC

Modifications of agreements concluded under the 1977 Protocol of Extension

42. The EEC notified modifications to its bilateral agreements concluded under the 1977 Protocol with the following suppliers:

- (i) Malaysia, introducing new agreed restraints on handkerchiefs (Categories 19/89) into Italy for 1982;

- (ii) the Philippines, introducing new agreed restraints on pyjamas (Category 24) into the Community and handkerchiefs (19) into Italy, increasing the level for babies' wear (80) into the United Kingdom and increasing carryover for blouses (7) into the Federal Republic of Germany for 1982;
- (iii) Poland, introducing new agreed restraints on shirt-blouses (Category 7) into Ireland for 1981 and 1982;
- (iv) Singapore, introducing new agreed restraints on briefs (13) into the United Kingdom and dresses (26) into the United Kingdom and Ireland for 1982;
- (v) Sri Lanka, introducing new agreed restraints on men's and boys' undergarments (category 18) into the United Kingdom and dresses (category 26) into France for 1982;
- (vi) Thailand, introducing a new agreed restraint on women's knitted suits (74) into the United Kingdom for the period 1 September-31 December 1982.

Bilateral agreements concluded under the 1981 Protocol of Extension

43. The TSB reviewed notifications of bilateral agreements initialled by the EEC and its trading partners in de facto application since 1 January 1983 and valid until 31 December 1986. These agreements, except that with Egypt (paragraph 46 below) cover all MFA products; those products not under specific restraint remained subject to the consultation procedures contained in the agreements (see paragraph 79 below).

44. Categories under restraint in the new agreement with Colombia remained unchanged from the previous agreement. Increases in base-levels and growth rates within the agreement were 0.1 per cent (cotton yarn) and 0.5 per cent (cotton fabrics and fabrics of discontinuous synthetic fibres). Swing was set at 5 per cent.

45. In the new agreement with Czechoslovakia the restrained products remained unchanged from the previous agreement. The agreement contained reductions in quotas with respect to woven fabrics of regenerated textile fibres and narrow woven fabrics (Categories 36 and 61). According to the Community, these reductions were mutually agreed in the course of negotiations, being fully compensated in other categories. For categories 1 and 77 (cotton yarn and stockings) at the Community level and categories 10, 27, 35, 38, 40 and 112 at the regional level (gloves, skirts, woven fabrics of synthetic fibres, curtains and other made-up articles) there was no increase in base-levels. Increases in base-levels for other categories ranged between 0.3 and 10 per cent at the Community level and at the regional level between 2.6 and 8.3 per cent, except for one category where the increase was substantially higher. Growth rates, at less than 6 per cent, were in all but four cases lower than in the previous agreement. Limitations were set on flexibility provisions.

46. As in the previous agreement, the new agreement with Egypt covered all cotton products except cotton yarn. In this agreement, shirts, T-shirts etc. (category 4) previously under restraint in certain regions of the Community was brought under Community restraint at a level higher than previous trade. Two regional restraints on terry fabrics and bedlinen were liberalized. Increases in base-levels for the other categories under restraint at the Community level were below 6 per cent, and increase for the regional restraint was above 6 per cent. Growth rates within the agreement were below 6 per cent. Swing was set at 5 per cent.

47. Previous restraints were maintained in the new agreement with Hungary. Reductions in quotas from previous restraint levels were agreed on other woven fabrics of cotton (Category 2) and on shirts and T-shirts, underpants and briefs, track suits, industrial and occupational clothing (Categories 4, 13, 73, 76 and 78). The reductions ranged between 1.7 and 17.1 per cent. Increases in base-levels of other categories ranged between 1.1 and 28.7 per cent, with increases over 6 per cent for eight categories. 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. Growth rates ranged between 0.5 and 5 per cent (with one category at 6 per cent); limitations were set on flexibility provisions.

48. The new agreement with Indonesia continued to contain restraints on the products previously under restraint. Increases in base-levels for the three categories (trousers, blouses and woven shirts) were above 6 per cent. Growth rates were 5 per cent for one category and 6 per cent for the other two categories. Swing was set at 5 per cent.

49. In the new agreement with Malaysia, women's, girls' and infants' pyjamas, previously under restraint were liberalized (Category 25) and Categories 2 and 3 were merged (woven fabrics of cotton and of man-made fibres). Increases in base-levels over previous restraints ranged between 1.9 and 30.5 per cent. While the sub-limit for Category 2 was increased by only 0.5 per cent, increases in two other sub-categories (Category 2a plus 3a) were substantially higher than 6 per cent. Growth rates were higher than in the previous agreement, but were lower than 6 per cent in all but one case. Swing was set at 5 per cent.

50. In the new agreement with Pakistan two clothing categories (blouses and knitted pyjamas) previously restrained were liberalized (Categories 7 and 24), and new restraints at the regional level were introduced on Categories 6 and 27 (trousers and skirts). Increases in base-levels for all categories under restraint, except Categories 1 and 2 (cotton yarn and woven cotton fabrics) were 6 per cent or higher (in some cases substantially higher) for previously restrained products, and substantially higher than previous trade for newly restrained items. The increases for Categories 1 and 2 were 0.7 and 1 per cent. Growth rates were lower than 6 per cent for restraints at the Community level (6 per cent for one sub-limit) and at 6 per cent for all regional restraints except one. Swing was set at 5 per cent.

51. Products under restraint in the new agreement with Peru remained unchanged from the previous agreement. Base-levels for Categories 1 and 2 (cotton yarn and woven cotton fabrics) increased by over 6 per cent, with an

additional quota for special quality cotton yarn falling within Category 1, while the increase for Category 5 (sweaters) was 2.3 per cent. Growth rates at less than 6 per cent were lower than those in the previous agreement.

52. In the new agreement with the Philippines, the restraint on woven jackets and blazers was removed (Category 17), while restraints were introduced on combined Category 10/11 (gloves) at the Community level and on Category 27 (skirts) at the regional level. Base-levels for sweaters and pyjamas (Categories 5 and 24/25) at the Community level and stockings (Category 12) at the regional level were reduced from previous restraints, by 28.4, 2.3 and 5.7 per cent respectively; there was no increase in Category 4 (knitted shirts) at the Community level and Category 19/89 (handkerchiefs) at the regional level. Base-level for Category 13 (briefs and underpants) was increased by 3.3 per cent and increases in base-levels for all other categories were higher and in some cases substantially higher than 6 per cent. Growth rates were lower than 6 per cent. Compounded growth rates over the life of the agreement were greater than 6 per cent for a number of categories. The two parties stated that reductions in base-levels had been mutually agreed in return for increases in other categories of interest to the Philippines.

53. New categories were brought under restraint in the agreement with Poland. They were Category 19/89 (handkerchiefs) at the Community level and Categories 64, 69, 83 and 91 (rachel lace, petticoats, other outer garments and tents) at the regional levels. Base-levels for two fabric categories (of cotton and synthetic fibres) were reduced at the Community level by 17.5 and 6.3 per cent from previous restraints. Increases in base-levels of other previously restrained categories ranged between 1 and 4.8 per cent. Increase over previous trade with respect to the new Community restraint was substantially over 6 per cent, and increases for regional restraints were higher than 6 per cent, except in one case where it was 2 per cent. Growth rates agreed for the life of the agreement ranged between 0.5 and 5 per cent; limits were set on the use of flexibility provisions. According to the Community the reductions in base-levels were mutually agreed in the course of negotiations, being fully compensated in other categories.

54. In the new agreement with Singapore previous Community restraints on Categories 18 and 30A (underwear and nightwear) and regional restraints on Categories 14B, 29 and 74 (overcoats, women's and girls' woven and knitted suits) were liberalized. Increases in base-levels ranged between 0.5 and 10 per cent, and for one category considerably higher; growth rates ranged between 0.5 and 4 per cent, and swing was set at 5 per cent.

55. In the new agreement with Uruguay restraint at the Community level was introduced for woollen woven fabrics (Category 50) and for wool tops (Category 46) imported into one region of the Community. Other regional restraints on Category 46 were maintained. Base-levels on previous restraints were increased by 6 per cent, while increases over 1981 trade for new restraints were lower than 6 per cent for Category 46 and substantially above 6 per cent for Category 50. Growth within the agreement was set at 6 per cent, and swing at 5 per cent.

Finland

56. In the new agreement with India, previous restraint on bed-linen was removed, while ankle socks, and undershirts were brought under restraint. Increase in base-levels of previously restrained products was over 27 per cent, and the increases over trade for new restraints were considerably higher. Growth in the agreement was set at 2 per cent; swing at 5 per cent. The agreement was concluded for the period 1 January 1983 to 31 December 1986, with the understanding that the period 1 August 1986 to 31 December 1986 could be reviewed in the light of any successor Arrangement after 31 July 1986.

57. The new agreement with Korea was concluded for the period 1 January 1983 to 31 December 1986. Previous restraint on women's, girls' and infants' dresses was liberalized, while restraint was introduced on women's, girls' and infants' ulsters and coats of cotton and man-made fibre. Several fabric, clothing and made-up items remained subject to administrative control. Increase in base-levels for previously restrained products was 5 and 6 per cent, while the increase over trade for the new restraint was 18.4 per cent. Growth was set at 2 per cent and swing at 5 per cent.

58. The previous restraint agreement with Malaysia was replaced by a consultation agreement, on men's and boys' woven shirts of cotton and man-made fibre.

59. The new agreement with Romania was concluded for the period 1 January 1983 to 31 December 1986. Other outer garments not previously under restraint were combined with blouses and sweaters, which had been under restraint to form a new category. Restraints on other products included in the previous agreement were continued. Increase in base-level for the new group was considerably higher than previous trade and for other products 1.9 and 2 per cent over previous restraints. Growth rates within the agreement were 1.9 per cent for one product and 2 per cent for others. Swing was set at 5 per cent.

60. Product coverage in the new agreement with Thailand remained the same. The agreement was concluded for the period 1 January 1983 to 31 December 1985; the previous agreement whose validity ended on 31 December 1981 had been extended pro rata for a further twelve-month period. Base-levels for the products under restraint (shirts and brassières) were increased by 21.3 and 10.9 per cent over previous restraint. Growth rates were set at 1 and 2 per cent and swing at 5 per cent.

Sweden

Extension or modification of agreements concluded under the 1977 Protocol of Extension

61. Pending negotiations of new agreements, the existing agreements were extended with some trading partners: with Brazil until 30 April 1983; with India until 30 November 1983; with Pakistan until 31 March 1984; with Philippines until 30 June 1983 and subsequently until 31 October 1983; and with Yugoslavia until 30 June 1983. In the agreement with Hong Kong

modifications were made to the consultation procedures for two sub-groups covering costumes, dresses and skirts for the final agreement period ending 31 March 1983.

New agreement under the 1977 Protocol of Extension

62. The new agreement with Singapore was concluded for the period 1 December 1981 to 30 November 1983. Product coverage remained the same, though one product, shorts (Group IXc) previously in the Rest Group was put under specific restraint. Increases in base-levels and growth rates which ranged between 0.6 and 1.7 per cent, were higher than growth rates in the previous agreement. There was no provision for swing, and use of flexibility provisions was limited.

New agreements under the 1981 Protocol of Extension

63. Sweden, which had no previous agreement with Indonesia concluded a consultation agreement related to products included in Groups I to XXII of its textile group system, for the period 1 June 1982 to 31 December 1983. Under the terms of this agreed consultation procedure, restraints were introduced with respect to shirts (Group II), underwear (Group IV), T-shirts (ex group V), trousers (Group VIII) and blouses (Group X). The restraints were introduced for the period 1 August 1982 to 31 December 1983. The levels set for these products compared to previous trade were 10.7 per cent higher for Group II, 4.5 per cent higher for Groups IV/ex V, 11.2 per cent higher for Group X; the level for Group VIII was set at the same level as previous trade.

64. The new agreement with Pakistan was concluded for the period 1 March 1982 to 30 June 1983. In this agreement costumes, skirts and dresses (Group IX) which were previously in the Rest Group have been put under specific restraint. The level set for this group was considerably higher than past trade. Increase in the level for the Rest Group was also higher than 6 per cent. For other groups the increase, though higher than growth rates in the previous agreement, was much lower than 6 per cent. The agreement contained no flexibility provisions.

65. The agreement with Sri Lanka was concluded for the period 1 August 1982 to 31 July 1984. Products under restraint remained unchanged from the previous agreement. Increase in base-levels ranged between 0.4 and 0.8 per cent. Growth rates, at 0.4 per cent, were lower than growth rates in the previous agreement. The agreement contained no flexibility provisions. Within the limit set for the Rest Group, Group VI (overcoats and jackets) could not constitute more than 40 per cent of the limit.

United States

66. All agreements notified in the period covered by this report, (except those with Hungary, Indonesia and Romania), included all MFA products. Most of these agreements contained consultation provisions for products not under specific restraint (see paragraph 82 below).

Modifications of agreement concluded under the 1977 Protocol

67. The agreement with Romania covering wool and man-made fibre products was modified to provide special carry forward to Category 643/644 (man-made fibre suits) for the agreement year 1 April 1982 to 31 March 1983. Under a further modification the agreement periods were revised to bring them into line with calendar years, altering the validity of the agreement to terminate on 31 December 1984 instead of 31 March 1985.

Agreements concluded under the 1981 Protocol

68. The new agreement with Colombia for the period 1 July 1982 to 30 June 1986 contained specific restraints on the same products as in the previous one. Increase in base-levels for the two wool categories (suits, men's and boys'; suits, women's, girls', children's) was 2 and 1 per cent, and for other categories higher than 6 per cent. Growth within the agreement was provided at 7 per cent, except that the growth for the wool categories was set at 1 per cent.

69. A new agreement with Hong Kong was concluded for the period 1 January 1982 to 31 December 1987. In this agreement the aggregate and group limits contained in the previous agreement were removed, and restraints on two textile categories (cotton sheeting and duck) liberalized. The first year of the agreement superseded and replaced the last year of the previous agreement, and the parties agreed to consider 1981 as the reference year for setting restraint levels for 1982. Base-levels were 0.5 per cent higher than 1981 quota levels in eighteen cases, and 1.5 per cent higher in six cases. Growth rates were set at 0.5 and 1.5 per cent and swing at 5 and 6 per cent, with no swing for one category. New limits on mmf shirts and wool suits were introduced for 1982 in accordance with the consultation provisions of the agreement, and subsequently converted to specific limits for the duration of the agreement. Growth for these new limits was set at 2 per cent and swing at 7 per cent.

70. An agreement with Hungary covering three wool categories (suit-type coats and suits) was concluded for the period 1 October 1982 to 31 December 1986. No previous restraint agreement existed between the parties. The base-levels were set at 14 and 21 per cent above previous trade, and growth within the agreement at 1 per cent. Swing was built-in for one category (suit-type coats) and swing between the other two categories was set at 5 per cent.

71. A new agreement with India was concluded for the period 1 January 1983 to 31 December 1986, with the possibility of its extension for a further period of one year. The aggregate and group limits on yarns and fabrics contained in the previous agreement were removed. A group limit was set on apparel products. No agreed certification system was contained in the agreement with respect to hand-made apparel. For the duration of the agreement these products were included in the quantitative limits established. In addition to categories previously under restraint, new restraints were introduced on Category 363 (cotton terry towels), Category 335 (women's, girls' and infants' cotton coats) and Category 342 (cotton skirts). Base-levels for categories newly brought under restraint

were higher than 6 per cent over trade, while increases in quotas for previously restrained items were 3 per cent for two categories, 7 per cent for one and 55 per cent for one category. Growth within the agreement ranged between 3 and 7 per cent. Swing was available between 5 and 7 per cent for apparel categories only, for some of which it was higher than in the previous agreement.

72. A selective agreement covering only two cotton products (woven shirts and trousers) was concluded with Indonesia for the period 1 July 1982 to 30 June 1985. The agreement superseded unilateral measures taken by the United States under Article 3:5. Base-levels were 6 per cent and 27 per cent above the levels fixed under the unilateral measures. Growth within the agreement and swing were both set at 7 per cent.

73. A new agreement with Korea was concluded for the period 1 January 1982 to 31 December 1987. In this agreement aggregate and group limits as well as restraints on six categories or combined categories contained in the previous agreement were removed (Category 320, other cotton fabrics; 333/4/5, cotton coats; sub-categories 347/8 cotton trousers; 647, men's and boys' trousers of man-made fibres; and 649, brassières and foundation garments); new restraints were introduced on five categories (Category 331, cotton gloves; 353/4/653/4, feather and down jackets; 410, woollen and worsted fabric; 605-C, other man-made fibre yarns; 669-C, cordage). The first year of the new agreement replaced and superseded the last year of the previous agreement, and the parties agreed to consider 1981 as the reference year for setting restraint levels for 1982. 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 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. Growth rates within the agreement were set at 4.5 per cent for cotton products, at zero per cent for two categories, and for other products between 0.5 and 3.5 per cent, with 6 per cent for two newly restrained categories. In addition to built-in swing provided in the agreement, provision for swing ranged between 2 and 6 per cent; for one category there was no swing. New limits on cotton sweaters, cotton nightwear, mmf. fabric and brassières and foundation garments were introduced for 1982 in accordance with the consultation provisions of the agreement, and subsequently converted to specific limits for the duration of the agreement. Growth for these new limits was set at 2.5 per cent and swing at 7 per cent. Restraints for 1982 only were established on cotton fabric, other, women's, girls' and infants' wool trousers and suits of mmf. and men's and boys' mmf. trousers.

74. A new agreement with Romania covering cotton products was concluded for the period 1 January 1983 to 31 December 1987. Categories under restraint remained the same as in the previous agreement. The agreement provided growth at 7 per cent and swing at 7 per cent.

Notifications received but still under consideration by the TSB

75. The following notifications have been received by the TSB, and are still under consideration:

- agreements between the EEC and Brazil, Guatemala, Hong Kong, Mexico, Sri Lanka and Thailand; between Sweden and Brazil; and between the United States and the Philippines and Sri Lanka.

(ii) Other elements in bilateral agreements

Consultation provisions for the introduction of new restraints

76. Most of the Article 4 agreements reviewed during the period covered by this report contain specific consultation provisions for the possible introduction of new restraints on products covered by these agreements, but not under specific restraint. In the course of its review of such agreements negotiated under the 1981 Protocol, and in particular the consultation procedures contained therein, the TSB affirmed that any new restraint resulting from such consultation procedures is¹ notifiable under Article 4:4, as a modification to the agreement concerned.

77. The agreements notified by Austria with Brazil, Hong Kong, India and Korea included certain products subject to consultation. In the agreement with India the parties agreed to consult with a view to reaching an agreed solution if Austria requested such consultations. In the agreements with Brazil and Korea the parties agreed that if no solution were found during consultations, restraints may be set at levels not lower than the twelve-month period ending thirty days before the date of request for consultations. In the case of the agreement with Hong Kong, the parties agreed that in the absence of mutually acceptable solutions, restraints may be set not lower than the highest of (a) 110 per cent of export authorizations issued during the previous agreement year; (b) 110 per cent of average annual export authorizations issued since 1 February 1978; (c) 110 per cent of export authorizations issued at the time of request for consultations.

78. The agreements concluded by Canada with Hong Kong, Malaysia, Philippines, Poland and Thailand contained consultation provisions for certain products not under specific restraint and included in the agreements. In the agreement with Hong Kong the parties agreed that new restraints may not be lower than the highest of (a) 115 or 106 per cent (depending on the item in question) of previous year's trade; (b) 115 or 106 per cent of average annual trade since 1980; (c) the export authorizations issued at the time of request for consultations. With respect to one item it may not be less than the consultation level. If the restraint were to be set for the agreement period, the parties also agreed to the growth rates to be established. The agreements with Malaysia, the Philippines and Thailand contained products subject to consultation levels. In the event that Canada were to request these levels to be converted to restraints, such limits may

¹Reference: COM.TEX/SB/835

not be lower than 115 per cent of either the consultation levels or the annual level of shipments reached at the time of the request for consultations, whichever is higher. In the agreement with Poland the agreed formula, below which a restraint may not be introduced, is 106 per cent of the level of imports reached in the twelve-month period two months before the date of request for consultations; such requests may not be made before imports have reached the consultation levels set in the agreement.

79. The EEC agreements (except for that with Egypt, paragraph 46 above), included all MFA products classified into 114 categories, and grouped according to their sensitivity in the Community market into three Groups. Categories not under specific restraint were made subject to consultations. The threshold levels below which consultations might not be sought, were set for categories in each Group, at fixed percentages of the previous year's total extra-Community imports. Pending consultations, most agreements foresee a provisional three-month limit at 25 per cent of the previous year's exports; a few agreements foresee suspension of exports. In the absence of agreement the EEC may generally establish a limit at either the threshold level, or 106 per cent of the previous year's imports from the country concerned, whichever is higher; and in no case lower than 1980 imports.

80. Consultation provisions for the introduction of restraints on some products were included in the agreements concluded by Finland with Korea, Romania and Thailand. In the agreement with Korea, it was agreed that pending consultations a provisional limit might be set at 102 per cent of imports in the twelve-month period ending two months before the request for consultation. Romania agreed that, in the absence of a mutually acceptable solution, a limit may not be set at a level below 102 per cent of imports reached during the twelve-month period ending two months before the request for consultation; annual growth of 3 per cent would be provided for any new restraint. No specific formula for the setting of limits was included in the agreement with Thailand.

81. Sweden concluded a consultation agreement with Indonesia, under which it may request consultations if imports of any of the clothing and made-up items contained in the agreement should cause real risk of market disruption in the Swedish market. Any limits set as a result of such consultations would be subject to agreed licensing procedures.

82. In the comprehensive agreements notified by the United States with Colombia and the Philippines, and in the new agreement on cotton products with Romania, annual consultation levels have been set for all categories not subject to specific restraints; exports may not exceed these levels, unless new mutually agreed levels have been set. The agreements with Hong Kong, India and Korea contain no consultation levels, but the consultation provisions contain agreed formulae below which restraints may not be established. In the agreement with India, restraints may not be set at levels lower than the highest of (a) the highest annual imports since 1978 (apparel only); (b) 120 per cent of imports during the twelve-month period ending two months before the date of request for consultations; growth for such new restraints has been agreed at 7 per cent. In the agreements with Hong Kong and Korea the agreed formulae for the setting of new restraints is

the highest of (a) 115 per cent (cotton and mmf products) or 106 per cent (wool products) of the level of trade for the previous agreement year; (b) 115 per cent (cotton and mmf products) or 106 per cent (wool products) of the average levels of trade since 1981; (c) the export authorizations/recommendations issued at the time of the request for consultations. Such restraints may be set for one year. If they were to be renewed, or converted into specific limits for the agreement period, agreed growth rates have been set. The selective agreements with Hungary and Indonesia contain no specific consultation provisions for the introduction of new restraints; in these cases the provisions of the MFA are applicable.

Quota adjustment clauses

83. The agreements notified by the EEC contain consultation provisions relating to adjustment of quotas, or the possibility of the reduction or suspension of flexibility provisions with respect to the eight categories contained in Group I, in the event of under-utilization (as defined in the agreements) of quotas.

84. The agreements notified by Sweden with Pakistan and Sri Lanka contained consultation provisions relating to the adjustment of under-utilized quotas, as defined therein, on any product under restraint.

Quotas for outward processing traffic

85. Most agreements notified by the EEC contained provision for the possibility of supplementary quotas on re-imports of products after processing in the partner country. Such supplementary quotas were agreed in the agreements with Pakistan, Singapore and Sri Lanka.

Handloom and cottage-industry products

86. Most agreements notified during the period covered by this report excluded handloom and cottage-industry products from restraint. In some agreements, traditional folklore handicraft products have also been listed and excluded from quotas. In the agreement between Canada and India, provision is made for consultations regarding trade in certain hand-made clothing items. In the agreements notified by the EEC, though such products are not subject to quantitative limits, a specific consultation provision has been included which allows for a quantitative solution should imports cause difficulties to the Community. The agreements with Indonesia and Malaysia also contain special provisions concerning trade in batik and batik products.

87. As stated in paragraph 71 above, the agreement between the United States and India did not contain agreed certification with respect to hand-made apparel. Such products were included in the quotas set in the agreement.

Price clause

88. The agreements notified by the EEC with Czechoslovakia, Hungary, Poland and Romania contained price clauses.

Circumvention

89. Several agreements notified during the period under review included provisions under which the parties concerned agreed to collaborate with a view to taking appropriate action to avoid circumvention of agreements. The agreements notified by the EEC contain provisions for possible adjustment of quotas where evidence of circumvention had been established (see also paragraphs 110-114).

Notifications received and/or reviewed under Article 4
27 November 1982 to 9 November 1983

Importing countries	Exporting countries	Validity	COM.TEX/SB/-
AUSTRIA	Brazil (N)	1.11.82-31.10.87	885
	Hong Kong (N)	1.2.83-31.1.84	855
	India (N)	1.1.83-31.12.86	847
	Korea (N)	1.8.82-31.12.86	812
	Philippines (E)	1.8.83-31.12.83	892
CANADA	Czechoslovakia (N)	1.1.83-31.12.86	856
	Hong Kong (N)	1.1.82-31.12.86 ¹	883
	India (N)	1.1.83-31.12.86 ¹	844
	Korea (N)	1.1.82-31.12.86	891
	Macao (N)	1.1.82-31.12.86	821
	Malaysia (N)	1.1.82-31.12.86	820
	Philippines (N)	1.1.82-31.12.86	876
	Poland (N)	1.1.82-31.12.86	822
	Romania (N)	1.1.82-31.12.86 ¹	823
	Singapore (N)	1.1.83-31.12.86 ¹	845
	Thailand (N)	1.1.82-31.12.86	819
EEC	Brazil (N)	1.1.83-31.12.86	[*]
	Colombia (N)	1.1.83-31.12.86	887
	Czechoslovakia (N)	1.1.83-31.12.86	866
	Egypt (N)	1.1.83-31.12.86 ²	886
	Guatemala (N)	1.1.83-31.12.86 ²	[*]
	Hong Kong (N)	1.1.83-31.12.86	[*]
	Hungary (N)	1.1.83-31.12.86	861
	Indonesia (N)	1.1.83-31.12.86	893
	Malaysia (a) (M)	1.1.82-31.12.82	813
	(b) (N)	1.1.83-31.12.86	843
	Mexico (N)	1.1.83-31.12.86	[*]
	Pakistan (N)	1.1.83-31.12.86	854
	Peru (N)	1.1.83-31.12.86	873
	Philippines (a) (M)	1.1.82-31.12.82	814
	(b) (N)	1.1.83-31.12.86	872
	Poland (a) (M)		862/Add. 1
	(b) (N)	1.1.83-31.12.86	862
	Singapore (a) (M)	1.1.82-31.12.82	815
(b) (N)	1.1.83-31.12.86	853	
Sri Lanka (a) (M)	1.1.82-31.12.82	[*]	
(b) (N)	1.1.83-31.12.86	[*]	

¹ Previous agreement which had expired on 31.12.81 had been extended by one year.

² Consultation agreement

[*] Notifications recently received, and still under consultation by the TSB

Importing countries	Exporting countries		Validity	COM.TEX/SB/-
EEC (cont'd)	Thailand	(a) (M)	1.9.82-31.12.82	816
		(b) (N+M)	1.1.83-31.12.86	[*]
	Uruguay	(N)	1.1.83-31.12.86	871
FINLAND	India	(N)	1.1.83-31.12.86	829
	Korea	(N)	1.1.83-31.12.86	836
	Malaysia	(N)	1.1.83-31.7.86	831
	Romania	(N)	1.1.83-31.12.86 ¹	832
	Thailand	(N)	1.1.83-31.12.85 ¹	830
SWEDEN	Brazil	(E)	1.9.81-30.4.83	837
		(N)	1.9.82-31.8.87	[*]
	Hong Kong	(M)	20.5.82-31.3.83	826
	India	(a) (E)	1.1.83-30.4.83	837
		(b) (E)	1.5.83-30.11.83 ²	874
	Indonesia	(a) (N)	1.6.82-31.12.83 ²	(875
		(b) (M)	1.8.82-31.12.83 ²	(
	Pakistan	(a) (N)	1.3.82-30.6.83	842
		(b) (E)	1.7.83-31.3.84	902
	Philippines	(a) (E)	1.11.82-30.6.83	837
		(b) (E)	1.7.83-31.10.82	902
	Singapore	(N)	1.12.81-30.11.83 ³	839
	Sri Lanka	(N)	1.8.82-31.7.84	852
Yugoslavia	(E)	1.1.83-30.6.83	837	
UNITED STATES	Colombia	(N)	1.7.82-30.6.86	833
	Hong Kong	(a) (N)	1.1.82-31.12.87	818
		(b) (M)	1.1.82-31.12.82	888
	Hungary	(N)	1.10.82-31.12.86	864
	India	(N)	1.1.83-31.12.86	863
	Indonesia	(N)	1.7.82-30.6.85 ⁴	834
	Korea	(a) (N)	1.1.82-31.12.87	860
		(b) (M)	1.1.82-31.12.82	889
	Philippines	(N+M)	1.1.83-31.12.86	[*]
	Romania	(a) (M)	1.4.81-31.12.84 ⁵	827,865
		(b) (N)	1.1.83-31.12.87 ⁶	894
Sri Lanka	(N)	1.5.83-31.5.88	[*]	

¹The previous agreement which had expired on 31.12.81, had been prolonged pro rata for one year

²Consultation agreement, and restraints under the provisions of consultation agreement

³Agreement concluded under 1977 Protocol

⁴Superseded action taken under Article 3:5 (see COM.TEX/SB/790)

⁵Covering wool and man-made fibre products

⁶Covering cotton products

[*] Notifications recently received, and not as yet reviewed by the TSB.

D. Observations on notifications made under Article 4

90. In the following paragraphs, all observations, comments and recommendations by the TSB during the period under review are noted. The majority of the TSB's observations relate to specific aspects of particular agreements; however, certain concern more general aspects of agreements concluded by importing countries.

91. In making its observations, the TSB has often taken account of statements by the parties relating to agreements reviewed. Where this is the case, it has been reflected in this section. In reviewing agreements, the TSB has often found it useful to set out a summary of their main features.

92. This section of the report is set out in alphabetical order of the importing country whose agreements are reviewed. Each country section contains information on any TSB observations relating to agreements concluded by the importing country in question, as well as statements made by the notifying countries.

AUSTRIA

93. In justifying growth lower than 6 per cent and/or swing provisions below 7 per cent in the agreements with Brazil, Hong Kong, India and Korea, Austria drew attention to the exceptional circumstances existing in its market in terms of paragraphs 2 and 5 of Annex B.

94. The Austrian agreements with Brazil, India and Korea, referred to in paragraphs 25, 27 and 28 above, were transmitted to the Textiles Committee without comment.¹ In reviewing the agreement with Hong Kong (paragraph 26 above), the TSB, while taking note of the statement by Austria that growth rates and swing provisions had been agreed upon by both parties in view of existing exceptional circumstances in terms of Annex B, was not able to draw a conclusion as to the existence of such exceptional circumstances with respect to two categories under restraint.²

95. In reviewing the extension of the agreement with the Philippines (paragraph 29 above), the TSB decided that pending the conclusion of a new bilateral agreement between the two countries, or any further extension of the current³ agreement, it would not address itself to this provisional extension.

CANADA

96. In presenting agreements to the TSB, Canada referred to exceptional circumstances, as set out in Annex B, as justification for growth and flexibility provisions in the agreements with Hong Kong, Korea, Czechoslovakia and for one product from India. As regards the agreement with

¹References: COM.TEX/SB/890 (Brazil); COM.TEX/SB/851 (India); COM.TEX/SB/817 (Korea)

²Reference: COM.TEX/SB/857

³Reference: COM.TEX/SB/901

Hong Kong, reference was also made by both parties to paragraph 10 of the Protocol, in agreeing to special provisions for transfer of quotas from three under-utilized categories to three other fully utilized categories.

97. Canada's agreements with India, the Philippines and Thailand (paragraphs 33, 37 and 41 above) were transmitted to the Textiles Committee without comment.¹

98. The agreements with Czechoslovakia, Macao and Malaysia (paragraphs 30, 35 and 36 above) were considered by the Body² to be, on overall terms, consistent with the provisions of Article 4.² In reviewing the agreement with Poland (paragraph 38 above) the TSB, taking into account all elements listed in the agreement, including product coverage, comparison of base-levels with previous trade or restraints, growth, swing and other flexibility, found that the agreement was consistent with Article 4. Similar comments³ were made in reviewing the agreement with Romania (paragraph 39 above).

Reductions in base-levels

99. In reviewing the agreement concluded between Canada and Korea (paragraph 34 above), which contained reductions in four base levels from 1981 restraint levels, the TSB heard a statement by Canada that the new base levels, when compared to 1981 restraint levels, resulted in an overall potential market access decrease of 12.5 per cent, but absolute 1982 base levels for clothing allowed for a 25.6 per cent increase in market access, if compared to 1981 levels of actual trade for the same clothing products. The TSB heard, furthermore, statements by both parties that no cutback in trade had occurred, and that increases in other base levels above 6 per cent were in categories of particular interest to Korea. The parties therefore considered that the agreement, on overall terms, constituted a mutually acceptable solution.

100. The TSB pointed out that, in accordance with Article 4 and Annex B of the Arrangement, the restraint level for a subsequent period should be higher than the level specified in the preceding twelve-month period. However, in this case the TSB took account of the balance between the reductions in some restraint levels and the scope for exports in certain products of interest to Korea.⁴

¹References: COM.TEX/SB/846, (India); COM.TEX/SB/880, (Philippines); COM.TEX/SB/824, (Thailand).

²References: COM.TEX/SB/857, (Czechoslovakia); COM.TEX/SB/824, (Macao and Malaysia)

³References: COM.TEX/SB/824, (Poland and Romania)

⁴Reference: COM.TEX/SB/901

Re-introduction of restraints

101. In its review of the agreement and modification notified by Canada with Hong Kong, (paragraph 32 above) the TSB noted that in the modification both parties had agreed on the retroactive introduction of restraints on six items which had been brought under the Export Authorization system in the new agreement, after having recourse to the consultation provisions of the agreement. The TSB observed that although the new restraint levels were above previous trade levels, they were below the levels of restraints contained in the agreement which had expired on 31 December 1981.

102. The TSB heard statements by the two parties that they considered that the modification notified implied no reduction in access; that the agreement and the modification thereof provided a balance between the component elements as well as between the different years; and that the new restraint levels had been established pursuant to the consultation procedures set forth in paragraphs 28 to 45 of the agreement, which they regarded as being in conformity with the MFA.

103. In this respect, the TSB was of the opinion that any restraints liberalized should not be reintroduced immediately or shortly thereafter, and that if restraints were reintroduced, participating countries should take full account of the previous levels of such restraints.¹

Notification requirements

104. During its review of bilateral agreements concluded by Canada with India and Singapore, the TSB noted that extensions of the preceding agreements, made pending negotiations of the new agreements, had not been notified. It recalled the need for any modification or extension of² bilateral agreements to be notified to the Body without undue delay.

EEC

General observations relating to EEC agreements³

Introduction of new restraints on products subject to consultations

105. In reviewing the procedures established in EEC agreements for introducing new restraints on products subject to consultations, the TSB understood that such consultations would only be requested when, in the view of the Community, there was a real risk of market disruption.

106. The TSB noted that the threshold levels for the application of these procedures were generally higher in the new agreements than in the previous ones.

¹ Reference: COM.TEX/SB/884

² Reference: COM.TEX/SB/846

³ References: COM.TEX/SB/841, paragraphs 13 to 21 and 24

107. It was noted that any new restraints introduced under these consultation provisions would be notified to the TSB for its consideration under the provisions of Article 4 of the MFA as extended, as modifications to the agreements in question. The TSB would continue to review any such modifications on a case-by-case basis.

Quota adjustment clause

108. The TSB examined the consultation provisions relating to the adjustment of quotas under EEC agreements. It observed that these provisions, which envisaged the possibility of the reduction or suspension of flexibility or of the establishment of ad hoc limits lower than existing quotas, applied only to Group I products, and that in the event of the introduction of any measures under these provisions there would be equitable and quantifiable compensation.

109. The TSB took note that the parties had considered this mechanism as a means of dealing with the problems referred to in paragraph 10 of the Protocol. The TSB understood that any action taken under these provisions would be notified to the Body as a modification to the agreement in question. The TSB would review any such action having regard to its consistency with the MFA as extended.

Circumvention

110. In reviewing the consultation provisions in the bilateral agreements relating to Paragraph 14 of the Protocol of Extension, the TSB noted that the parties may consult with a view to agreeing an equivalent adjustment of quotas in cases where evidence of circumvention had been established. The TSB observed that such consultations would address the question of adjustment of charges to existing quotas to reflect the country of true origin, with its timing and scope being decided in consultation between the countries concerned, with a view to arriving at a mutually satisfactory solution.

111. The TSB emphasized the importance to be attached to co-operation between all parties concerned.

112. The TSB also took the view that any action taken by the Community in the absence of a mutually-agreed solution should be without prejudice to the possibility of continuing consultations and could not substitute the right of recourse to the TSB by either party under Article 8:2 of the MFA and paragraph 14 of the Protocol of Extension.

113. The TSB understood that any arrangement or measure introduced under these consultation provisions was notifiable under Article 8:4 of the Arrangement.

Possible recourse to Articles 11:4 and 8:2

114. In the context of its review of the consultation provisions contained in the above-mentioned provisions of these agreements, the TSB examined the possibilities which existed for specified actions in the absence of mutually-agreed solutions between the parties in such consultations. The TSB

came to the view that those actions would be without prejudice to the possibility of continuing consultations and of having recourse to the provisions of Article 11:4, and, in questions of circumvention, of Article 8:2.

Agreement transmitted without observation

115. The agreement with Indonesia (paragraph 48 above) was transmitted to the Textiles Committee without comment.

Specific observations

Reductions in base-levels

116. In reviewing the agreements with Czechoslovakia, Hungary, Philippines and Poland (paragraphs 45, 47, 52 and 53 above) it was noted that reductions in base-levels had been agreed in certain categories. The TSB took note of statements by the Community, in the case of Hungary, and by the two parties in the case of the Philippines, that reductions in the base-levels of a number of under-utilized categories were agreed upon in return for increases in other base-levels of interest to the exporting countries; for Poland and Czechoslovakia, the Community stated that the reductions in base-levels were mutually agreed in the course of the negotiations, being fully compensated in other categories.

Growth and flexibility provisions

117. In reviewing growth and flexibility provisions in EEC agreements, the TSB heard statements relating to the Community's economic difficulties at the time of negotiation of the agreements. In general, low growth and swing rates were explained by the Community in relation to the "exceptional circumstances" provisions of the Arrangement contained in Annex B.

118. On reviewing the Community's agreements with Pakistan, Singapore (paragraphs 50 and 54 above), Hungary and the Philippines, it was noted that the combination of base-level increases and growth rates for certain categories led to compounded growth rates greater than 6 per cent over the whole lifetime of the agreement. This was the case for most categories under restraint for Pakistan, some categories from Singapore and the Philippines, and a few categories from Hungary.

119. In relation to the agreements with Malaysia (paragraph 49) and Singapore, it was observed that although the new agreements provided for greater access than their predecessors, various elements contained therein were still below the levels set out in Annex B. The TSB noted the

¹Reference: COM.TEX/SB/901

²References: COM.TEX/SB/859 (Hungary); COM.TEX/SB/880 (Philippines); COM.TEX/SB/869 (Poland and Czechoslovakia)

³References: COM.TEX/SB/857 (Pakistan, Singapore); COM.TEX/SB/859 (Hungary); COM.TEX/SB/880 (Philippines)

availability of the consultation provisions in the agreements to enable the situation prevailing at the time of negotiation 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.

120. In reviewing the agreement, covering cotton products except cotton yarn, between the EEC and Egypt (paragraph 46 above), the TSB recalled the provisions of Article 6:4 of the MFA and paragraph 12(c) of the 1981 Protocol, concerning special consideration for cotton producing countries; the TSB also noted the statement by the Community concerning acute and exceptional difficulties in the Community's market for the products concerned. Bearing in mind increases in base levels, it was agreed that the agreement was, on overall terms, consistent with the provisions of Article 4.

ASEAN transfer possibilities

121. In its review of the EEC's agreements with Indonesia, Malaysia, Singapore and the Philippines, the TSB noted that possibilities were provided by the EEC for transferring a portion of quotas among ASEAN countries and felt that it would be useful if it could be informed of the utilization of these possibilities.

Price clauses

122. The TSB noted the existence of price clauses in the agreements concluded by the EEC with Czechoslovakia, Hungary and Poland. It reiterated its earlier statements that such price clauses fall outside the provisions of the MFA, while noting statements by the Community that price clauses included in previous agreements with these countries had not been invoked. The TSB expressed its view that in any case of application of the price clause, due consideration should be given to the fact that such application may have the effect of nullifying the objectives of the Arrangement in terms of Article 9:1, and recommended that in the event of the application of the price clause, every effort should be made to ensure that such application would be in conformity with the MFA.

¹References: COM.TEX/SB/846 (Malaysia); COM.TEX/SB/857 (Singapore)

²References: COM.TEX/SB/890

³References: COM.TEX/SB/901 (Indonesia); COM.TEX/SB/846 (Malaysia); COM.TEX/SB/857 (Singapore), COM.TEX/SB/880 (Philippines)

⁴References: COM.TEX/SB/859 (Hungary); COM.TEX/SB/869 (Poland and Czechoslovakia)

Outward processing traffic and handloom products

123. With regard to the provisions on outward processing traffic contained in EEC agreements, the TSB began, but has not completed its review. The TSB has also to review the consultation provisions concerning handloom and cottage industry products. (See paragraphs 85 and 86 above).

FINLAND

124. The TSB determined that Finland's agreements with India (paragraph 56 above), Romania (paragraph 59), and Thailand (paragraph 60) were, on overall terms, in conformity with the provisions of the Arrangement.

Share of imports and minimum viable production

125. In its review of the Finnish agreement with Korea (paragraph 57 above), the TSB observed that, while the agreement was concluded having regard to the minimum viable production provisions of the Arrangement, Korea's share of imports of most of the products under restraint was small, and unlikely to cause damage to minimum viable production. Bearing these considerations in mind, the TSB recommended that the two parties consult on an appropriate occasion, under the provisions of Article 9 of the agreement, with a view to reviewing some of its specific limits or aspects thereof, any modifications resulting from such consultations to be duly notified to the TSB.²

SWEDEN

Observations relating minimum viable production

126. In all bilateral agreements notified under the 1981 Protocol, Sweden invoked provisions of Article 1:2 and Annex B of the MFA relating to minimum viable production, and paragraph 11 of the Protocol of Extension as justification for less than 6 per cent growth and flexibility provisions.

127. In reviewing Sweden's agreement with Singapore, concluded under the Arrangement as extended by the 1977 Protocol (paragraph 62 above), the TSB was not entirely convinced that, having due regard to the share of Singapore in the Swedish market in respect of some product groups, the low growth rates and the restrictive flexibility provisions provided for those product groups were fully justified. The TSB wanted these observations to be taken into account by both parties in the event of any new agreement to be concluded between them.³

128. In relation to the lack of flexibility provisions in the agreements with Pakistan (paragraph 64 above), and Sri Lanka (paragraph 65), which were concluded with reference to Articles 1:2 and 6:4 of the Arrangement as

¹Reference: COM.TEX/SB/835

²Reference: COM.TEX/SB/838

³Reference: COM.TEX/SB/840

extended by the 1981 Protocol, the TSB took the view that, as regards Article 1:2 and other elements in the MFA and the Protocol of Extension concerning minimum viable production, paragraph 11 of the 1981 Protocol should not be considered as providing an automatic waiver of all flexibility for MVP countries.

129. The TSB was also of the opinion that the small share of Pakistan and Sri Lanka in the Swedish market in respect of some products covered by the agreements did not fully justify the low growth rates and the lack of flexibility. In both cases, the TSB expressed the view that it was difficult to see how the provisions of Article 6:4 of the Arrangement and paragraph 12 of the 1981 Protocol were reflected in the agreements. With respect to Sri Lanka, moreover, it was noted that the low level of restraint with respect to the "Rest Group" limited the access of Sri Lanka to the Swedish market for the products included therein.

130. The TSB assumed that, in the case of Pakistan, whose agreement expired on 30 June 1983, the above observations would be taken into account by both parties in the event that the agreement were to be extended or a new one concluded. With respect to Sri Lanka, whose agreement is valid until 31 July 1984, the TSB was of the opinion that the parties should take into consideration the TSB's comments and observations in the event of holding consultations during the life of the agreement, or in the event of the negotiation of a new bilateral agreement between them.

Quota adjustment clause

131. In reviewing the Swedish agreements with Pakistan and Sri Lanka, the TSB also made observations regarding the consultation provisions of the agreements relating to the possible adjustment of agreed quotas (Article 8 in each case). Given the fact that the agreement with Pakistan would expire on 30 June 1983, the TSB understood that it was unlikely that these provisions would be invoked within the lifetime of the agreement, and therefore did not address itself to the question of the consistency of the Article with the provisions of paragraph 10 of the 1981 Protocol. In relation to Sri Lanka, the TSB understood that the parties had considered the 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. It understood that any quantitative measure taken under this provision would be notified to the Body, in accordance with Article 4 of the Arrangement, 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. The TSB also questioned the application of this clause to the "Rest Group" and questioned the appropriateness of the last paragraph of the Article, concerning equity provisions in favour of Sweden.

¹References: COM.TEX/SB/841 (Pakistan); COM.TEX/SB/857 (Sri Lanka)

General consultation provisions

132. The TSB reviewed the consultation provisions contained in Article 10 of the agreements with Singapore and Sri Lanka¹, providing for the unilateral imposition of restrictions by Sweden in the case of a failure to reach mutually satisfactory solutions in consultations under the agreement. The TSB, while noting that the parties had not followed an earlier TSB recommendation concerning explicit clarification in the text of any agreement containing such a clause², also took note of the reaffirmation by Sweden that the application of the said clause would be fully consistent with the provisions of the MFA.

UNITED STATES

133. New selective agreements concluded with Hungary and Indonesia and a new cotton agreement with Romania, (paragraphs 70, 72 and 74³ above) were transmitted to the Textiles Committee without comment.

134. In reviewing the agreement concluded with Colombia, (paragraph 68 above) the TSB, taking into account the growth rates set at 1 per cent for two wool categories, as well as other elements including growth rates higher than 6 per cent for other categories, concluded that, on overall terms, the agreement was in conformity with the provisions of the MFA.⁴

135. In reviewing the agreement between the United States and Hong Kong, (paragraph 69) the TSB heard a statement by the United States that the growth and swing provisions reflected the existence of exceptional circumstances, as well as statements by both parties relating to the use of 1982 as the first agreement year, the fact that the base levels agreed to were higher, taken overall, than both quotas and trade in 1981, the criteria and procedures for establishing limits in the absence of agreement, and the overall balance of the agreement. The TSB agreed to transmit the agreement to the Textiles Committee on the basis of an overall assessment taking account of the balance of the elements contained in the agreement. While noting that the base-levels in the new agreement were substantially lower than those in the superseded year of the previous agreement, and that growth rates were lower

¹References: COM.TEX/SB/840 (Singapore); COM.TEX/SB/857 (Sri Lanka)

²The previous recommendation (COM.TEX/SB/632, paragraph 16) reads as follows: "... The TSB recalled similar provisions in a number of agreements concluded by Sweden and the statement by the Swedish authorities that their application would be fully consistent with the MFA. The TSB reaffirmed its understanding that any such unilateral restrictions shall be in conformity with the Arrangement and recommends that, for reasons of clarity, this understanding be reflected explicitly in the provisions of any future agreement containing a similar clause."

³References: COM.TEX/SB/869 (Hungary); COM.TEX/SB/835 (Indonesia); COM.TEX/SB/901 (Romania)

⁴Reference: COM.TEX/SB/835

than in the previous agreement, the TSB observed that the liberalization of aggregate and group limits, and of ¹two textile categories, could contribute to increased access for Hong Kong.

136. In reviewing the United States/India agreement (paragraph 71 above) which the TSB found to be, on overall terms, consistent with the provisions of Article 4, the TSB discussed the general question of group and aggregate restraints, noting in this case that a group limit continued to apply to apparel items. The new level of this group for the first agreement year compared favourably with the levels of trade in the last year of the previous agreement. The TSB chose not to pursue the general discussion further at this meeting, but agreed to revert to it at an appropriate time in the future. With respect to treatment provided for hand-made apparel items, the TSB recalled the provisions of Article 12:3.²

137. In its discussion of the United States/Korea agreement, (paragraph 73 above) in which, as with Hong Kong, the parties had agreed that the new agreement would replace and supersede the previous, with respect to 1982, the TSB noted that, in a number of cases, information provided by the United States concerning base-levels, growth and swing provisions 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. However, the TSB was also 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 so justified. The TSB agreed to transmit the agreement on the basis of its overall assessment, considering that elements relating to the products under restraint, base-levels, growth rates and swing provisions seemed to offer a measure of balance. In reaching its conclusions, the TSB noted that base-levels in the new agreement (for 1982) were, in many cases, lower than in the superseded year (1982) 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 in the previous agreement. The TSB also observed that the increases in base-levels provided for categories newly brought under restraint were substantially above previous trade levels, and that the removal of aggregate and group limits had provided scope for a substantial³ increase in trade from Korea, particularly in non-apparel items, in 1982.

¹ Reference: COM.TEX/SB/824

² Reference: COM.TEX/SB/869

³ Reference: COM.TEX/SB/859

Wool sector

138. With respect to lower growth and swing provisions for wool products in United States' agreements, the TSB heard a statement by the United States that this was a reflection of exceptional circumstances prevailing in the wool sector.¹

E. Notifications under Articles 7 and/or 8

(i) Notifications concerning non-participants

139. Notifications of agreements with non-participants in the Arrangement were made to the TSB, bearing in mind the request made by the Textiles Committee that actions taken vis-à-vis such countries should be notified. Five agreements with non-participants were notified, and transmitted to the Textiles Committee. Canada notified agreements concluded with Bulgaria and the People's Republic of China, valid for the period 1 January 1982 to 31 December 1986. The EEC notified agreements concluded with Bulgaria and Haiti.² These agreements are valid for the period 1 January 1983 to 31 December 1986. Under the terms of its bilateral agreement with the People's Republic of China the EEC notified new restraints for 1983 on several categories at regional levels. The United States notified unilateral measures taken in January 1983 with respect to imports of certain textiles and clothing items from the People's Republic of China. A new bilateral agreement valid for the period 1 January 1983 to 31 December 1987 superseded these measures.

(ii) Notifications concerning participants

140. Austria made a notification under Article 7 of the establishment of an export surveillance system with Thailand on imports of blouses and shirts.

141. The EEC notified restrictions on imports of other woven fabrics of cotton (Category 2) and shirts, T-shirts, etc. (Category 4), from Turkey. Quantitative limits were introduced for the period 9 March to 15 July 1983, and subsequently extended to 31 December 1983, under the provisions of Article 60 of the Additional Protocol to the EEC/Turkey Association agreement. The TSB recalled its observations made on earlier measures of this type: that it could not address itself to the conformity with the provisions of the Arrangement as extended by the 1981 Protocol of measures taken outside the framework of the MFA. The TSB recalled that both parties concerned were participants, and once again called attention to the provisions of paragraph 23 of the 1981 Protocol of Extension.³

¹ Reference: COM.TEX/SB/859

² Haiti had not at the time of review signed the 1981 Protocol extending the Arrangement.

³ COM.TEX/SB/779, 810 and 869

Notifications received under Articles 7 and/or 8
since 27 November 1982 to 9 November 1983

Notifying country	Exporting country	Article	COM.TEX/SB/-
AUSTRIA	Thailand (1.5.83-1.12.83)	7	868
CANADA	Bulgaria (1.1.82-31.12.86)	7 & 8	849
	People's Rep. of China (1.1.82-31.12.86)	7 & 8	881
EEC	Bulgaria (1.1.83-31.12.86)	7 & 8	877
	People's Rep. of China (1.1.83-31.12.83)	7 & 8	897
	Haiti ¹ (1.1.83-31.12.86)	7 & 8	848
	Turkey (9.3.83-15.7.83) (16.7.83-31.12.83)	7 7	867 898
SWITZERLAND	Hong Kong	7	895
UNITED STATES	People's Rep. of China (30.7.82-29.2.84) (1.1.83-31.12.87)	7 & 8 7 & 8	850 896

¹ At the time of review, Haiti had not signed the 1981 Protocol of Extension

142. Switzerland notified under Article 7 a further extension until June 1984 of the Memorandum of Understanding and administrative arrangement regarding exports of textiles from Hong Kong. The TSB noted that the consultation mechanism embodied in the Memorandum had not been invoked to date; recalled its observations made at the time of its review of the Memorandum and reiterated that any actions taken under the consultation mechanism should be notified under the appropriate Article of the MFA.

F. Notifications under Article 11

143. In order to assist the TSB to fulfil its obligations under the Arrangement, the Chairman had made the annual requests in July 1982 and July 1983, pursuant to Article 11, paragraphs 11, 12 and 2, inviting all participants to provide information on restrictions maintained by them on textile and clothing products.

144. In its last report to the Textiles Committee, the TSB had stated that it had not then reviewed the replies received under Article 11, because by 26 November 1982, replies from a number of participants were still outstanding. The TSB reverted to this during 1983. The texts of replies to the 1982 request were transmitted to the Textiles Committee in COM.TEX/SB/809 and Addenda, and summarized in COM.TEX/SB/851. Replies received to the 1983 request have been transmitted in COM.TEX/SB/899 and Addenda.

145. Replies to the request made in 1982 were received from Argentina, Austria, Brazil, Canada, Colombia, the EEC, El Salvador, Egypt, Finland, Guatemala, Hong Kong, Hungary, India, Indonesia, Israel, Jamaica, Japan, Korea, Macao, Malaysia, Mexico, Pakistan, Poland, Romania, Singapore, Sri Lanka, Sweden, Switzerland, Thailand, Turkey and the United States. The reports from Argentina, Jamaica and Pakistan were the first made under Article 11 since the notifications made by them under Article 2:1. Peru and Yugoslavia accepted the 1981 Protocol in January 1983. By 9 November 1983 replies to the request made in 1983 had been received from Argentina, Austria, Bangladesh, Brazil, EEC, Egypt, El Salvador, Finland, Hong Kong, Hungary, India, Japan, Mexico, Pakistan, Peru, Romania, Singapore, Sweden, Thailand, Turkey, United States, Yugoslavia.

146. No information to the request in 1982 was received from Bangladesh, Czechoslovakia, Haiti and the Philippines. By 9 November 1983 no replies to the 1983 request were received from Canada, Colombia, Czechoslovakia, Guatemala, Indonesia, Israel, Jamaica, Korea, Macao, Malaysia, Poland, Sri Lanka, Switzerland and Uruguay. As stated in paragraph 9 above a report under Article 2:1 is awaited from Maldives, which accepted the Arrangement on 19 April 1983. A request to Haiti was sent in October, as it had signed the 1981 Protocol after the request had been sent to other participants.

147. The following paragraphs summarize the replies received to the requests for information made in 1982 and 1983. Where relevant, reference has been made to other relevant CATT documents.

148. Several participants notified that the status of their restrictions remained unchanged; these were Bangladesh, Egypt, Hong Kong, India, Indonesia, Israel, Japan, Korea, Macao, Malaysia, Peru, Poland, Romania, Singapore, Sri Lanka, Switzerland, Thailand and Turkey.

149. Of these:

(a) Hong Kong¹, Japan¹, Macao², Malaysia², Peru³, Singapore¹, and Switzerland¹ notified that they maintained no restrictions on textiles and clothing. Switzerland notified automatic licensing and, with respect to certain State-trading countries, a price attestation system. Imports from Hong Kong continued to be subject to an administrative surveillance arrangement. (Notified under Article 7; see paragraph 136 above).

(b) Bangladesh³ notified that it continued to subject imports of textile fabrics of cotton, wool and man-made fibre to the Wage Earners Scheme, and prior permission from the relevant authorities. (See also BOP/R/116 and 128).

(c) Egypt¹ reported that it did not maintain any quantitative restrictions on imports from any source. As reported to the Balance-of-Payments Committee, imports of products from all sources may be authorized within the annual foreign exchange budget. (See documents BOP/212 and BOP/R/117).

(d) India¹ continued to maintain restrictions with respect to all MFA products, justified for balance-of-payments reasons under Article XVIII of GATT (see BOP/R/126). Imports were allowed if the products concerned were for use in the manufacture of export products.

(e) Indonesia² notified that it continued to prohibit only imports of coarse grey shirting, and certain handloom- and cottage-industry products, to protect its domestic industry. Imports of certain cotton yarns were also subject to licensing. Since this notification was received, Indonesia has announced a number of actions under Article XVIII:C of GATT concerning import policies. Notice of these actions, which cover textiles among other products, is given in document L/5452 of 25 January 1983.

(f) Israel² notified that it maintained discretionary licensing on certain fabrics for balance-of-payments reasons (see also BOP/R/129).

¹ Information received in 1982 and 1983

² Information received in 1982

³ Information received in 1983

(g) Korea¹ notified that imports of MFA products continued to be controlled under regulations announced by the Minister of Commerce and Industry or subject to recommendations by domestic industrial associations. A few items of m.m.f. fibres and yarns, as well as men's and boys' briefs, are given automatic approval. As restrictions are reviewed annually, the notification stated that they will be removed gradually. Documentation for the 1981 balance-of-payments consultation with Korea noted the continuing liberalization of the import régime in general (BOP/W/47 and BOP/R/117).

(h) Poland¹ notified that its import policy remained unchanged from the situation in 1980. At that time, Poland had reported indicative quotas without restrictive effect, on textile products included in bilateral agreements with Algeria, Austria, Benelux, Colombia, Egypt, Finland, France, Federal Republic of Germany, Greece, India, Italy, Pakistan, Portugal, Spain and the United Kingdom.

(i) Romania² reported it did not apply any quota restrictions. Imports of all products were subject to licensing and to the availability of foreign exchange (see also L/5110, report on licensing procedures).

(j) Sri Lanka¹ had notified in 1980 a licensing scheme, operated through the Ministry of Textile Industries, for cotton yarn and all fabrics for domestic use. Licences for cotton yarn were issued liberally, while for fabrics, there was no specific limit on imports; however, account would be taken of the availability of locally-produced fabrics in determining import requirements. A list of products subject to import licensing requirements, including textile products, was subsequently notified to GATT in L/5203 of 30 October 1981.

(k) Thailand² notified that it maintained no import restrictions on MFA products, apart from bags made of natural fibres, including cotton.

(l) Turkey² had previously notified in 1981 (COM.TEX/SB/733/Add.25) that the import of most textile items was prohibited, except for selected products which were either regarded as "liberalized" and for which licences were issued automatically (List I) or which were subject to prior authorization by the authorities (List II). Turkey had also submitted information to GATT in reply to the questionnaire on import licensing procedures (see L/5220 of 16 November 1981) and to the Balance-of-Payments Committee, also in 1981 (see BOP/R/107), in which it had stated that measures applied were justified under Articles XII, XVIII and Part IV of GATT. (See also BOP/R/120).

¹ Information received in 1982

² Information received in 1982 and 1983

150. Hungary¹ notified the abolition of quotas on imports from Sweden, under the terms of a new long-term trade agreement between the parties which took effect in February 1982. Bilateral quotas of an indicative nature continued to exist under the corresponding agreement with Norway. The Hungarian import licensing system is described in document L/5194.

151. Jamaica² notified that it maintained no import restrictions on textiles, except on greige fabrics. Limitations on imports, are, however, related to the availability of foreign exchange. Jamaica imports garments in commercial quantities only from the Caribbean area.

152. Two participants (Colombia and Pakistan) made complete notifications of the import régimes covering all MFA products.

(a) Colombia², in its notification, indicated goods subject to the liberalized import régime or to prior licensing. The notification indicated all changes made in the import régime for textiles in 1981 and 1982. All clothing, household linen and made-up articles have been brought under prior licensing, as have cotton and man-made fibre yarns and all cotton fabrics previously liberalized. Colombia had stated in the Working Party on its accession to GATT that licensing is utilized, in conformity with Article XVIII of GATT, for balance-of-payments reasons and to protect infant industries (L/4800, paragraph 14).

(b) Pakistan¹, in its 1982 notification, provided complete information on textile products freely importable or importable from tied sources under aid credits, barter arrangements, or loans. In 1983 further information covering the textile items, import of which had been made possible under the Import Policy Order 1983, was provided. The Import Policy Order in question has been notified to the GATT secretariat pursuant to the questionnaire on licensing. Broadly, cotton, mmf and wool yarn, regenerated fibres and waste, grey cotton cloth and certain other made-up articles for particular uses are freely importable from any source; some items (e.g. mmf, yarn, knitting wool) may be imported only from tied sources; and most clothing items and finished fabrics are banned. The most recent report of the Balance-of-Payments Committee on its consultations with Pakistan is contained in COP/R/126.

153. Yugoslavia³ notified restrictions maintained for balance-of-payments reasons. Previous restrictions on yarns of all MFA fibres and on impregnated, coated or laminated fabrics were liberalized in June 1983; other restrictions on fabrics, clothing and made-up articles were maintained. (See BOP/R/122)

¹ Information received in 1982 and 1983

² Information received in 1982

³ Information received in 1983

154. Two participants (Argentina and Brazil) notified new restrictions on imports of textiles, taken for balance-of-payments reasons. Argentina¹ notified that from May 1982 prior authorization was required for imports of certain textile products. Brazil¹ notified that import licences would not be issued for a list of goods covering, inter alia, all MFA products. The complete list of products affected was notified to GATT in document L/5393 of 3 December 1982. Goods included in the list may be imported only if justified as strictly necessary and of interest to Brazil's economic policy. Brazil also made reference to surcharges on imports as notified to GATT and contained in documents L/4985 and L/4909. (See also BOP/R/124).

155. Three of the responding countries (El Salvador, Guatemala and Mexico) are non-contracting parties to GATT. In accordance with its procedures regarding non-contracting parties, the TSB considers such submissions to also fulfil the requirements of Article 2:4 of the MFA (see also paragraph 10 above).

(a) El Salvador¹, had maintained no restrictions prior to 1980. In 1981, El Salvador notified new restrictions in force since 10 August 1980 and reported in detail on its economic situation and import measures taken. Imports of tarpaulins, tents, etc., household linen, blankets, etc., were prohibited from all sources except Central American countries and the Panama Canal Zone. The TSB had found in 1981 that it was not necessary for El Salvador to lift the measures (COM.TEX/SB/748). In its most recent report², El Salvador notified that the restrictions had been lifted on 1 September 1983.

(b) Guatemala³, had previously maintained no restrictions. In its new submission, Guatemala notified a change in the conditions for the allocation of foreign exchange for imports of textiles. This measure took effect in November 1982.

(c) Mexico¹, notified the introduction, as from 17 September 1982, of a prior import permit requirement for all imports, with effect until 31 December 1983. These measures were taken for balance-of-payments reasons.

156. Notifications submitted by importing countries referred to agreements, actions, or amendments concluded with exporting countries (whether or not MFA participants) and notified or to be shortly notified⁴ to the TSB under the relevant Articles of the MFA (see sections C and E above). Notifications from the EEC, Finland and Sweden also referred to other measures, not notified to the Body except in response to the Article 11 request as follows:

¹ Information received in 1982 and 1983

² Information received in 1983

³ Information received in 1982

⁴ These concern the following agreements: EEC (Bangladesh, India, Korea, Macao, Yugoslavia); Sweden (Hong Kong, Korea, Malaysia); United States (Thailand, Uruguay)

(a) The EEC¹ gave details of quantitative restrictions maintained by member States on imports from State-trading countries with which the EEC has no bilateral textile agreements. With a few exceptions, the 1982 and 1983 quotas were the same as those for 1981.

(b) Finland¹, provided information on restraints on exports from the People's Republic of China maintained under their Long-Term Trade Agreement.

(c) Sweden¹, gave information on import restraints, principally in value terms, on imports from Bulgaria, Czechoslovakia, German Democratic Republic, Hungary, Mauritius, Poland and Romania.

¹Information received in 1982 and 1983

Chapter II

Observations relating to the Implementation of the
Arrangement as extended by the 1981 Protocol

157. This first overview of the implementation of the 1981 Protocol is based on the Articles 3 and 4 notifications made by parties to the Arrangement during 1982 and 1983 to date.

158. Although not all agreements already concluded by parties to the Arrangement had been reviewed by the TSB by 9 November 1983 (see also paragraphs 159 and 160 below), the following points can be made¹:

- (a) since 1 January 1982, there has been a somewhat greater recourse to unilateral measures under Article 3 (United States/Maldives, United States/Indonesia, Canada/Indonesia and Finland/Pakistan); in all such cases, selective Article 4 agreements have been concluded or initialled in order to replace the unilateral actions;
- (b) the number of Article 4 agreements concluded or initialled under MFA III has increased somewhat. Besides those agreements mentioned in (a) above, new bilateral agreements between Canada/Czechoslovakia, Sweden/Indonesia and United States/Hungary have been notified. One restraint agreement was replaced by a consultation agreement (Finland/Malaysia);
- (c) most Article 4 agreements concluded by the United States and the EEC remain comprehensive in coverage; those concluded by Canada and Sweden cover clothing and certain made-up items; those concluded by Austria and Finland as well as some agreements by the United States are selective;
- (d) in all agreements replacing previous ones, the products restrained have in general remained unchanged; while few products have ceased to be under specific restraint, few products have been newly placed under restraint;
- (e) aggregate and group limits in three new United States agreements and group limits in five new United States agreements have been terminated;
- (f) reductions in some quotas have been included in four agreements concluded by the EEC (Czechoslovakia, Hungary, Philippines, Poland); one concluded by Canada (Korea);

¹ These points should be related to elements detailed in Sections B, C and D of Chapter I, which deal with Articles 3 and 4 notifications.

- (g) in two United States agreements (Hong Kong and Korea), base levels in the first year were lower than those in the superseded year of the previous agreements between the parties;
- (h) most bilateral agreements continue to be multi-year agreements which include general consultation provisions to which either party may have recourse;
- (i) most agreements also include consultation provisions with respect to products not under specific restraint, and these have been used by several importing countries. Canada used such provisions to reintroduce restraints, at lower levels than those prevailing in the previous agreement, on some products initially liberalized in the new agreement with Hong Kong. The United States brought a significant number of new items under restraint using the consultation provisions of its agreements with Hong Kong and Korea;
- (j) in the consultation provisions of agreements concluded by the EEC, the basket exit levels are higher for the majority of the agreements;
- (k) a large number of agreements included many cases where growth and/or flexibility rates, particularly swing, were at levels lower, and in some cases much lower than those set out in Annex B, and there continued to be a frequent invocation of exceptional circumstances. This applied to agreements concluded by the EEC (most products), Canada (certain products included in agreements with Czechoslovakia, India, Hong Kong and Korea), the United States (restraints on wool products, and in regard to all products contained in agreements with Hong Kong and Korea) and Austria (all agreements);
- (l) the lower than 6 per cent growth included in agreements concluded by Finland and Sweden was justified by them under the minimum viable production provisions of the MFA, and Sweden has justified the low or lack of flexibility in its agreements under paragraph 11 of the Protocol;
- (m) in many agreements, the annual growth rates provided are, for some or several products, lower than those of the previous bilateral agreement (e.g. Sweden/Sri Lanka; EEC, especially some Group I products; US/Hong Kong and Korea);
- (n) in seven EEC agreements as well as four concluded by the United States, four concluded by Canada and three by Finland, there are cases of increases over previous quotas and/or trade substantially higher than 6 per cent;

- (o) in certain agreements, both increases in base levels and growth rates for specific products were higher than 6 per cent. In a number of agreements the combination of increases in base levels over 6 per cent and of growth rates below 6 per cent, or vice versa, resulted in a compounded growth rate higher than 6 per cent over the lifetime of the agreement;
- (p) paragraph 10 of the Protocol has been utilized by Canada and Hong Kong in their bilateral agreement; a quota adjustment clause was introduced in agreements concluded by the EEC and two Swedish agreements but has not been invoked to date;
- (q) in certain cases there were restraints on products in which the share of the exporting country in the trade is so small, that it would be unlikely, in the specific circumstances, to cause market disruption or damage to minimum viable production;
- (r) special arrangements with respect to outward processing traffic have been included in EEC agreements; in accordance with such arrangements, quotas have been established in some agreements;
- (s) provisions relating to problems of circumvention are included in several agreements; these have not been utilized to date.

159. There remain two aspects of agreements already notified, the TSB's review of which has not yet been completed: namely, the provisions for outward processing traffic, on which the TSB has started discussion, and the provisions relating to handloom and cottage industry products, both contained in EEC agreements.

160. There also remain before the TSB, some agreements or modifications thereof, of considerable importance in terms of the trade involved between the parties concerned, the TSB's review of which has either not yet been completed or not yet been undertaken.

161. In reviewing Article 4 agreements, the TSB has always been conscious of the need to consider such agreements on a case-by-case basis, and on overall terms, and to take fully into account the balance of all the elements contained therein; on several occasions, the TSB's task was made difficult by the absence of sufficient data in terms of Annex A, in particular on production.

162. The TSB has also been conscious of the need to consider the overall implementation of the Arrangement. The points outlined in sub-paragraphs (a)

- unilateral measures, under Article 3 have been taken more frequently;
- a number of new bilateral agreements, with previously unrestrained countries, has been concluded;
- coverage in terms of products under restraint has increased;
- there are more cases of growth and flexibility at levels lower than those set out in Annex B, and there are a few cases of no growth or no flexibility being granted;
- agreements concluded with large suppliers are again more restrictive.