

**GENERAL AGREEMENT ON
TARIFFS AND TRADE**

Textiles Surveillance Body

REPORT OF THE FOURTH MEETING (1984)¹

1. The Textiles Surveillance Body held its fourth meeting of 1984 on 7-9 March 1984.
2. Present at this meeting were the following members and/or alternates: Mr. Bondad/Mrs. Sjahruddin, Messrs. Hyun/Cartland, Keck/Richardson, MacNeil/Westlund, Marques Porto/Delgado, Puri, Sato and Shepherd.
3. The report of the third meeting has been circulated in COM.TEX/SB/926.
4. The following points were discussed:

Article 4 notifications

EEC/Sri Lanka

5. The TSB concluded its review of the notification of a new Article 4 bilateral agreement initialled by the EEC and Sri Lanka, in de facto application with effect from 1 January 1983 and valid until 31 December 1986.
6. In this agreement:
 - (a) two categories previously under restraint have been liberalized, one category previously under regional restraint has been made subject to a Community limit, and the two categories placed under regional limits in 1982 continue to be under regional restraint;
 - (b) increases in base levels for three categories previously restrained at the Community level vary between 8.1 and 14.4 per cent; the new Community restraint is set at 24.2 per cent over 1982 imports, and the increases in base levels are below 6 per cent for items under regional limits;
 - (c) annual growth rates, set at less than 6 per cent, were lower than in the previous agreement for one category and higher for two categories;
 - (d) the TSB observed that the combination of increases in base levels and annual growth rates resulted in compounded growth rates of 6 per cent in one case, above 6 per cent in one case and below 6 per cent in four cases;

¹Hundred and sixty-fourth meeting overall.

- (e) swing was subject to limitations and set at 5 per cent;
- (f) carry over and carry forward were set at 5 plus 5 per cent, respectively;
- (g) cumulative flexibility was limited to 15 per cent.

7. The TSB heard statements by the EEC explaining that the rates of growth and swing resulted from the existence of exceptional circumstances as set out in Annex B of the Arrangement.

8. The TSB had an in-depth discussion on the provisions of Article 4 of this agreement, concerning re-imports of textile products after processing in Sri Lanka, as well as the specific additional quotas for such purpose. This discussion also took into account similar provisions in other EEC agreements (see paragraph 22 of COM.TEX/SB/841). Following this discussion, in which several views were expressed, the TSB decided not to pursue this matter at this stage, but may revert to it at a later date.

9. The TSB considered the provision in Protocol B of the agreement to the effect that, if imports of handloom, cottage industry, and folklore fabrics/products reach such proportions as to cause difficulties to the Community, the EEC may request consultations "with a view to finding a quantitative solution".

10. The TSB recalled that in accordance with Article 12:3, the provisions of the Arrangement did not apply to developing country exports of handloom fabrics of the cottage industry, or hand-made cottage industry products made of such handloom fabrics, or to traditional folklore handicraft textile products, and consequently these products could not be subject to quantitative restrictions under the Arrangement, provided that they are properly certified under arrangements established between the importing and exporting participating countries concerned.

11. After its review,² the TSB agreed to transmit the notification of this new agreement to the Textiles Committee (COM.TEX/SB/927).

¹Observations contained in paragraphs 8 to 10 also apply to several EEC agreements already transmitted to the Textiles Committee, i.e. the agreements with Bangladesh, Colombia, Egypt, Guatemala, Indonesia, Malaysia, Mexico, Pakistan, Peru, Philippines, Singapore, Thailand and Uruguay. The observation in paragraph 8 also applies to the EEC agreements with Brazil and Hong Kong. The observations in paragraphs 9 and 10 also apply to the agreements with Czechoslovakia, Hungary and Poland.

²General observations on Articles 8, 9 and 12 of this agreement are contained in paragraphs 13 and 15 to 21 of the report of the sixth meeting of 1983 (COM.TEX/SB/841).

EEC/Romania

12. The TSB received a notification of an Article 4 bilateral agreement between the EEC and Romania in de facto application with effect from 1 January 1983 and valid until 31 December 1986.

13. In this agreement:

(a) thirty categories were under restraint at the Community level, ten categories at the regional level;

(b) two categories (24 and 25) had been merged and put under Community limit, whereas in the previous agreement category 24 was under regional limit and category 25 under Community limit;

(c) two new regional limits were applied to one category already under restraint in another Community region;

(d) increases in base levels were for nineteen categories higher than 6 per cent for Community limits; between 2.4 and 5.2 per cent for regional limits;

(e) base levels for categories 1 and 2 were reduced by 32.9 and 6.7 per cent respectively;

(f) growth rates were between 0.1 and 5 per cent for Community limits, lower than in the previous agreement, except for categories 2, 8 and 22 where they remained unchanged, and category 16 whose growth rate increased from 2 to 3 per cent;

(g) compounded growth rates for Community limits were higher than 6 per cent for categories 7, 15A, 15B, 17, 20, 22, 23, 26, 36, 41, 55, 71, 77, 81, 82 and 104;

(h) for categories under regional limit, growth rates varied between 2 and 5 per cent;

(i) swing was set at 3.5 per cent between categories 2 and 3 and between categories 4 to 8, at 5 per cent for other categories except category 1 for which no swing was available;

(j) carryover and carry forward were available up to 5 plus 5 per cent. Cumulative flexibility was limited to 11 per cent for categories in Group I and 12.5 per cent for other categories;

(k) a price clause was included.

14. The TSB took note of a statement by the EEC to the effect that reduction in base levels for two categories had been fully compensated in other categories of products in the course of the negotiations; and the growth rates and flexibility provisions reflected the acute and exceptional difficulties in the Community's market for the products concerned.

15. The TSB noted substantial increases in quotas for categories of greater interest to Romania, while questioning the maintenance of restraints for certain categories where Romania's share in the EEC market was negligible.

16. In relation to the price clause contained in Article 5, the TSB reiterated its earlier statements¹ that such a price clause falls outside the provisions of the MFA. It expressed the 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. The TSB 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.

17. After its review,² the TSB agreed to transmit the notification to the Textiles Committee (COM.TEX/SB/928).

18. The TSB also reviewed a modification to the EEC/Romania agreement, under which restraints were introduced in 1983 on imports of knitted trousers (category 28) into the United Kingdom for the agreement period. Growth rate was agreed at 4 per cent.

19. After its review, the TSB agreed to transmit the notification to the Textiles Committee (COM.TEX/SB/929).

Canada/Uruguay

20. The TSB received a notification from Canada of a new bilateral agreement concluded under Article 4 with Uruguay for the period 1 January 1982 to 31 December 1986.

21. In this agreement:

- (a) a restraint was agreed on exports of worsted fabric;
- (b) the base level was 18 per cent higher than 1981 trade;

¹COM.TEX/SB/457, paragraph 6, and COM.TEX/SB/477, paragraph 5; see also COM.TEX/SB/859 and 869.

²See general observations contained in paragraphs 13 and 15 to 21 of the report of the sixth meeting of 1983 (COM.TEX/SB/841) which also apply to Articles 7, 8 and 9 of this agreement. See also paragraphs 9 and 10 above concerning Article 3 of the agreement.

(c) growth was set at 3 per cent;

(d) carryover and carry forward were provided at 10/5 per cent.

22. The TSB noted that the agreement was concluded in 1983 with retroactive application from 1 January 1982.

23. The TSB heard a statement from Canada on the sensitive nature of the market for worsted fabric, to explain the growth of less than 6 per cent.

24. After its review, the TSB agreed to transmit the notification to the Textiles Committee (COM.TEX/SB/930).

Canada/Brazil

25. The TSB reviewed a notification from Canada of a new agreement with Brazil concluded under Article 4 for the period 1 June 1983 to 31 December 1986.

26. In this agreement:

(a) a restraint was agreed on exports of acrylic yarn;

(b) the base level was 17 per cent higher than previous trade;

(c) growth was provided at 2.7 per cent for the second agreement period, and thereafter at 4 per cent;

(d) carryover/carry forward was possible at 10/5 per cent.

27. The TSB noted that a previous restraint on this product had been lifted in 1980, and that the new restraint level which had taken into account the recent evolution of trade, was higher than what the level would have been if the previous restraint had been maintained with a 6 per cent growth.

28. After its review, the TSB agreed to transmit the notification to the Textiles Committee (COM.TEX/SB/931).

Canada/Thailand

29. The TSB reviewed a modification to the bilateral agreement between Canada and Thailand, introducing restraint levels effective from 1983 on trousers, and jackets previously subject to consultation levels. Growth rate was set at 6 per cent.

30. After its review, the TSB agreed to transmit the notification to the Textiles Committee (COM.TEX/SB/932).

Canada/Hong Kong

31. The TSB received a notification from Canada concerning a modification to its agreement with Hong Kong. In 1983 a restraint was agreed on exports of denim fabrics. This product was previously subject to the export authorization system. With effect from 1984, Canada elected to convert the restraint into a specific limit with a growth rate of 6 per cent.

32. After its review, the TSB agreed to transmit the notification to the Textiles Committee (COM.TEX/SB/933).

United States/Pakistan

33. The TSB reviewed a notification from the United States of a modification to its agreement with Pakistan. With effect from 1 July 1983 a new specific limit was agreed on cotton dresses (category 336), with a growth rate of 7 per cent.

34. After its review, the TSB agreed to transmit the notification to the Textiles Committee (COM.TEX/SB/934).

Sweden/Malaysia; United States/Thailand

35. The TSB began its review of two new bilateral agreements, the first concluded between Sweden and Malaysia, and the second concluded between the United States and Thailand. Review of these notifications will continue in the next meeting.

Notification under Article 11:4

Romania/United States

36. The TSB continued its review of a communication received under Article 11:4 from Romania concerning product coverage in the bilateral agreement on wool and man-made fibre products between Romania and the United States.

37. The Government of Romania requested the TSB to suspend consideration of its communication so that Romania could hold consultations with the United States. The TSB understood that the United States was willing to hold such consultations.

TSB's report to the Textiles Committee for the Major Review

38. The TSB began the preparatory work on its report to the Textiles Committee for the major review of the Arrangement, scheduled to be held in October 1984.