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Textiles Surveillance Body

REPORT OF THE TEXTILES SURVEILLANCE BODY TO THE TEXTILES COMMITTEE

1985

Attached is a report by the Textiles Surveillance Body on its activities during the period 3 August 1984 to 9 October 1985.

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.

The Addendum to this report contains tables relating to restrictions reviewed by the TSB during the period covered by this report.

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Introductory Remarks

- 1. The present report is submitted to the Textiles Committee pursuant to the requirements of Article 10:4 and Article 11:12 of the Arrangement. Under Article 10:4 the Textiles Surveillance Body is required to submit a report to assist the Textiles Committee in its annual review of the Arrangement. Under Article 11:12 the TSB is required to annually review all restrictions introduced or bilateral agreements entered into by participating countries and report its findings to the Textiles Committee.
- 2. This report covers the period 4 August 1984 to 9 October 1985. The previous report contained in COM.TEX/SB/984 and Add.1, had been submitted for the major review of the Arrangement in October 1984, and covered the work of the TSB from 1 January 1982 to 3 August 1984.
- 3. The report contains four chapters. The first two are introductory in nature: they provide the present status of acceptances of the 1981 Protocol extending the Arrangement, the membership of the TSB during the period covered by this report and the overall nature of its activities.
- 4. Chapter 3 summarizes (a) reports received under Article 2; (b) unilateral measures taken under Article 3, or matters referred to the TSB under Article 11, paragraphs 4 and 5; (c) bilateral agreements or modifications of agreements notified under Article 3:4 or Article 4:4; (d) notifications made under Article 7 and/or 8; and (e) reports received under Article 11, paragraphs 11, 12 and 2, on restrictions maintained or introduced by participating countries. Details of the above-mentioned notifications are contained in tabular form in the Addendum to this report.
- 5. Chapter 4 contains TSB observations made during the course of its reviews of notifications contained in Chapter 3. These observations have been presented to correspond with the sections in Chapter 3. Furthermore the observations relating to bilateral agreements have been grouped under separate headings (e.g. base levels, growth and flexibility etc.).

Chapter 1: The 1981 Protocol extending the Arrangement and the status of acceptances

- 1.1 On 22 December 1981 the Textiles Committee adopted the Protocol extending the Arrangement for a further period from 1 January 1982 until 31 July 1986.
- 1.2 To date, the Protocol of Extension has been accepted by the following forty-three participants:

Argentina, Austria, Bangladesh, Brazil, Canada, China, Colombia, Czechoslovakia, Dominican Republic, European Economic Community, Egypt, El Salvador, Finland, Guatemala, Haiti, Hungary, India, Indonesia, Israel, Jamaica, Japan, Korea, Malaysia, Maldives, Mexico, Norway, Pakistan, Panama, 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.

¹COM.TEX/27 and Addenda 1 to 13

Chapter 2: Membership and overall activities of the TSB

A. Membership of the TSB

- 2.1 In accordance with Article 11, the TSB has consisted of a Chairman appointed by the Textiles Committee and eight members nominated ad personam by parties as determined annually by the Textiles Committee.
- 2.2 The TSB has continued to operate as a standing body. In order to secure continuity and efficiency in their work, members have nominated alternates, who may participate fully in the Body's work in the unavoidable absence of nominated members. In this context it would be useful to stress once again that attendance of all members in TSB meetings is important in order to ensure that the delicate balance, arrived at after lengthy negotiations, of all participants to the MFA be maintained; those governments nominating members to the TSE should take fully into account the continuous nature of TSB's work involving both formal and informal meetings.
- 2.3 In the 1981 Protocol extending the Arrangement, the Textiles Committee had emphasized the importance of the responsibilities of the TSB as set forth in Article 11 of the MFA, and reaffirmed that the rôle of the TSB is to "help ensure the effective and equitable operation of the Arrangement and to further its objectives". The Committee also "recognized the need for close co-operation among participants for the effective discharge of the TSB's responsibilities".
- 2.4 Under the Chairmanship of Ambassador Marcelo Raffaelli the membership of the TSB for the period covered by this report was as follows:

August-December 1984

Members

Mr. S. Delgado Lecourtois (Mexico) Mr. T. Westlund (Sweden)

Alternates

Mr. J.G. Marques Porto (Brazil)
Mr. J.L. MacNeil (Canada)
Mr. J. Keck (EEC)
Mr. H.S. Puri (India)
Mr. T. Kawaguchi (Japan)
Mr. J.U. Chae (Korea)
Mr. D.Q. Bondad (Philippines)
Mr. R.E. Shepherd (United States)

Mr. G. Boisnon (EEC)
Mr. M. Hamza (Egypt)
Mr. Y. Matsui (Japan)
Mr. M. D. Cartland (Hong Kong

Mr. M.D. Cartland (Hong Kong) Mrs. S.B.A. Sjahruddin (Indonesia)

See the TSB's report for the major review in 1984 (COM.TEX/SB/984, paragraphs 3.2 and 3.3).

1985

Members

Alternates

Mr. J. Keck (EEC)
Mr. M.A.-B. Hamza (Egypt)
Mr. M.D. Cartland (Hong Kong)
Mr. D. Salim (Indonesia)

Mr. M.A. Bajwa (Pakistan)
Mr. J.Y. Sun (Korea)
Mr. S. Haron (Malaysia)
(Replaced in April 1985 by
Mr. D.Q. Bondad (Philippines))
Mr. K. Akasaka (Japan)

Mr. T. Kawaguchi (Japan) Mr. J. Iversen (Norway)

Mr. K. Akasaka (Japan)
Mr. J.L. MacNeil (Canada)
(Replaced in September 1985 by
Mr. R. Wright (Canada))

Mr.

Mr. R.E. Shepherd (United States)

Mr. E. Rosselli (Uruguay)

Mr. P. Paredes (Peru)

Mr. G. Boisnon (EEC)

B. Activities of the TSB

2.5 During the period covered by this report the TSB held nineteen formal meetings as well as several informal meetings.

(i) Review of notifications

- 2.6 A major activity carried out by the TSB is the review of all measures taken by participants, be they unilateral actions or bilateral agreements, in the light of the provisions of the Arrangement. The TSB considers each of the notifications received on a case-by-case basis and on its own merits.
- 2.7 All notifications received and reviewed and reports on the meetings held over the period have been circulated in the COM.TEX/SB/- series of documents. The reports of the TSB have included summaries of the major points discussed, along with such comments or observations deemed appropriate by the TSB as well as full statements of any recommendations, findings or decisions arrived at by the Body.
- 2.8 The TSB continued to follow its procedures laid down in COM.TEX/SB/35 for the review of bilateral agreements concluded under Articles 3 and 4. It has sought additional information from the parties concerned and/or the secretariat when it found it necessary for its work. It also reviewed certain notifications made under Articles 7 and/or 8 which concerned participating countries. Observations and recommendations on these notifications were included in the TSB reports. Notifications of actions taken vis-à-vis non-participants (notified under Articles 7 and 8) were transmitted for the information of participating countries.

2.9 In compliance with Article 11, paragraphs 11, 12 and 2, the TSB invited participating countries to report on their present status of restrictions. In reviewing these notifications the TSB took into consideration its review of bilateral agreements, its examinations of measures notified under Article 3:5, and matters referred to it under Article 11, paragraphs 4 and 5, as well as reports of other GATT bodies with respect to those countries which maintain restrictions justified under the provisions of GATT including its Annexes and Protocols. The TSB reviewed notifications from participants which are non-contracting parties, in accordance with its procedures which bear in mind the standards applied by GATT. (COM.TEX/SB/27, Annex)

(ii) Dispute settlement

- 2.10 In order to review unilateral measures notified under Article 3:5 and matters referred to it under Article 11, paragraph 4 or 5, the TSB invited the parties concerned to present their respective cases. Furthermore, in cases where one of the parties concerned had appointed a member to the TSB, a representative of the other party was invited, in accordance with TSB procedures (COM.TEX/SB/319, Annex I), to participate in the discussions leading to recommendations. The consensus within the Body for such recommendations does not require the concurrence either of the concerned member of the Body or of the representative designated by the other party.
- 2.11 The TSB observations and recommendations on these cases have been included in the TSB reports.
- 2.12 On matters brought before the TSB under Article 3:5, the TSB had been repeatedly asked by the parties involved to postpone consideration since consultations were continuing. The TSB has consistently taken the view, that though parties should have the opportunity to consult in order to come to mutually acceptable solutions, such a request would not automatically lead to a suspension of TSB procedures which have a time limit of thirty days. As a consequence, the TSB will continue to examine each request on its own merits. (COM.TEX/SB/1089)

(iii) Participation of Technical Experts

2.13 The TSB discussed the question of technical experts mentioned in Article 11:2 of the Arrangement, which states that the TSB may hear technical experts proposed by one or more of its members.

2.14 The TSB decided that in all cases:

- (a) such experts shall not be present during meetings, except if invited by the Body to clarify specific questions at the proposal of one or more of its members;
- (b) once the question is sufficiently clarified, the expert shall withdraw.

- 2.15 Furthermore, with reference to dispute cases, the TSB decided to adopt the following additional procedures for the participation of experts during the review of such cases, in order to ensure that its reviews are properly carried out:
 - (a) the interested parties shall formally notify to the Chairman, in advance of the date of the review, the names of their respective delegation members as well as of experts, if any;
 - (b) experts may be invited to answer specific questions at the proposal of a delegation participating in the review, provided the TSB agrees.
- 2.16 This procedure applied as of 1 December 1984.

¹COM. TEX/SB/1006

Chapter 3: Notifications reviewed or examined by the TSB

A. Notifications under Article 2

- 3.1 In fulfillment of the requirements of Article 2, Norway and China made notifications to the TSB. Observations, findings and recommendations by the TSB are found in Chapter 4, Section A.
- Norway became a participant in the MFA on 1 July 1984, and notified, under Article 2:1, the restrictions maintained by it at the time of its acceptance of the Arrangement as extended by the 1981 Protocol of Extension. Norway notified that it had initialled bilateral agreements effective 1 July 1984 with Czechoslovakia, Hong Kong, Hungary, Maçao, Malaysia, the Philippines, Romania, Singapore, Sri Lanka and Thailand, and one effective 1 January 1985 with Korea; it maintained bilateral quotas on certain products when imported from China, Korea and Poland, and residual global quotas under Article 2:1 on eight products. Norway intended to adapt all its restrictions to the MFA by 30 June 1985. During its review, the TSB was informed that agreements had also been concluded with India, Poland, Yugoslavia, as well as with Malta (a non-participant). In fulfillment of the requirements of Article 2:4, Norway notified that the transitional measures notified under Article 2:1 had been phased out by 1 July 1985; in addition to the bilateral agreements referred to above, an agreement with China was initialled, effective I January 1986, with a memorandum of understanding for the second half of 1985. Import restraints with respect to the German Democratic Republic (a non-participant) were also notified (see also paragraph 4.1 below).
- 3.3 China, a non-contracting party, submitted a report on the evolution of its textiles industry, and the status of restrictions maintained by it. The report which had been submitted in accordance with the TSB's recommendation made in September 1984, also met China's obligations to report under Article 2:4 of the Arrangement.
- 3.4 The report provided information relating to the importance of the textiles and clothing industry in China's economy, and the recent developments in production and trade. It further stated that all imports into China were subject to discretionary licensing. The import licensing system was designed to regulate the flow of imports of man-made fibre products because of the early stages in the development of this sector of the textile industry; with limited foreign exchange earnings, China gave priority to "imports of advanced technology and equipment for the construction of key projects and the technical transformation of some existing industrial enterprises", and it was therefore necessary to "impose appropriate restrictions on the importation of some consumer goods and other products" which were less essential to its economic development. (See paragraphs 4.2 and 4.3)

The agreement was subsequently notified and reviewed by the TSB. See section on Article 4 notifications.

 $^{^{2}}$ See section on Articles 7 and 8 notifications.

³COM.TEX/SB/987

- 3.5 Reports under Article 2:1 have not been received from two participants: the <u>Dominican Republic</u> which accepted the Arrangement on 9 February 1984, and <u>Panama</u>, a non-contracting party, which acceded to the Arrangement on 15 January 1985. (See paragraph 4.4)
- B. Unilateral measures and other matters referred to the TSB
- (i) Unilateral measures under Article 3
- 3.6 The TSB received notification of sixteen measures taken under Article 3, paragraph 5 or 6. In addition, one measure, consideration of which the TSB had deferred in May, June and July 1984 due to ongoing consultations between the parties concerned, was also examined by the TSB during the period under review. These measures concerned the following participants:

Sweden: Turkey

United States: Bangladesh, Pakistan, Peru, Turkey, Yugoslavia

3.7 The TSB also received reports on certain measures examined by it prior to the period covered by this report. These concerned the following participants:

Sweden: Turkey

United States: Dominican Republic, Turkey

A bilaterally agreed solution was found in one case, and three measures were not reviewed because of their expiration.

3.8 Observations, findings and recommendations, where made by the TSB, and information on follow-up are contained in Chapter 4, Section B (i) and (ii).

Sweden

- 3.9 In December 1984, Sweden notified unilateral measures taken under Article 3:5 on imports of underwear and sweaters (Group 4/5), overcoats and jackets (Group 6), trousers (Group 8) and bed linen (Group 13) from Turkey, for the period 21 September 1984 to 20 September 1985. The TSB agreed to defer consideration of the measures, at the request of both parties, in view of bilateral consultations requested by Turkey, which Sweden had accepted.
- 3.10 In July 1985, the TSB received reports from both parties on the results of their consultations, indicating the proposals made by them during these consultations. After its review, the TSB recommended that the restraint on Group 4/5 be rescinded, and the two parties consult on Group 8 in terms of Article 3:9 of the MFA. After an initial report in July that Sweden was instituting procedures to eliminate the measure on Group 4/5, the TSB was informed in September that the measure was rescinded as of 21 August 1985. With respect to Group 8, the parties decided, after consultations to let the restraint expire. (See paragraphs 4.8 to 4.13 below).

United States

- 3.11 In May 1985, the TSB received a notification from the United States of unilateral actions taken under Article 3:5 on imports from Bangladesh of men's and boys' cotton coats (Category 334) for a one-year period ending 28 January 1986 and on imports of men's woven cotton shirts (Category 340) for the period 28 February 1985 to 27 February 1986.
- 3.12 At the request of the parties, the TSB agreed to defer its examination of these measures in May and again in June 1985 in view of the ongoing consultations. The TSB was later informed that as a result of these consultations the parties had reached agreed solutions. (See paragraph 4.14. Details of the bilateral agreement are contained in paragraph 3.75 below).
- 3.13 In November 1984, the TSB received a notification of a unilateral action taken under Article 3:5 by the United States on imports of man-made fibre work gloves (Category 631 pt) from Pakistan. The TSB agreed to defer its examination of the measure at the request of both parties. The TSB was subsequently informed that the United States had decided to lift the measure. In February 1985, the TSB received a communication, made by the United States pursuant to the first part of Article 3:6, informing the Body of a measure concerning imports of man-made fibre work gloves (Category 631 pt) from Pakistan.
- 3.14 In September 1984, at Peru's request, the TSB reverted to its consideration of the action taken by the United States under Article 3:5 with respect to imports of cotton duck (Category 319) from Peru. The TSB had previously deferred its review of this measure in May, June and July 1984 at the request of both parties. Following its recommendations the TSB was informed that the parties had concluded a bilateral agreement which included the product, thereby superseding the one-year action which was valid until 30 January 1985. (See paragraphs 4.15 to 4.19 below. Details on the bilateral agreement are found in paragraph 3.90).
- 3.15 In November 1984, the TSB received a notification from the United States of a unilateral action taken with respect to imports of cotton twill fabric (Category 317 pt), produced or manufactured in Peru, for a one-year period ending 9 April 1985. In view of ongoing consultations between the parties, and at their request, the TSB agreed to defer its consideration of the action. The TSB was subsequently informed that a bilateral agreement concluded between the parties had superseded the measure. (See paragraph 3.90).
- 3.16 The TSB examined a unilateral measure taken by the United States under Article 3:5 on imports from Turkey of spun-plied acrylic yarn (Category 604 pt) for the period 1 November 1984 to 31 October 1985, in February and April 1985. After both examinations, the TSB recommended the parties hold further consultations and report the results of these. In July 1985 the TSB, at the request of the parties agreed to defer its consideration of these measures in view of their forthcoming consultations.

The TSB recommended that the parties report on the consultations no later than 6 September 1985. After receiving a report from the United States that no agreed solution had been found in the consultations, the TSB was of the view that with regard to the level of the restraint, the United States should take account of the TSB comment made in April 1985. (See paragraphs 4.20 to 4.29)

- 3.17 In June and again in July 1985, the TSB agreed, at the request of the parties, to defer its examination of a measure taken by the United States under Article 3:5 on imports of cotton sheeting (Category 313) from Turkey for the period 28 February 1985 to 27 February 1986. The TSB examined this measure in September 1985, together with measures on cotton twill (Category 317 pt) for the period 30 April 1985 to 29 April 1986, cotton coats for women, girls and infants (Category 335) and cotton shirts (Category 340) for the period 30 May 1985 to 29 May 1986, and cotton blouses (Category 339) for the period 27 June 1985 to 26 June 1986. Having heard statements from both parties that a new round of consultations had been scheduled for 17-18 October, the TSB asked them to report on the result of these consultations no later than 5 November 1985. (See paragraphs 4.25, 4.26 and 4.30)
- 3.18 In November 1984, the TSB agreed to defer, at the request of the parties, its consideration of a measure notified under Article 3:5 by the United States on imports of wool suit-type coats (Category 433) from Yugoslavia, in view of the ongoing consultations between the parties. The action was taken for a one-year period ending 29 April 1985. The TSB was informed in December 1984, that the parties had found an agreed solution.
- (ii) Measures under Article 3:5 reviewed before 3 August 1984 Subsequent reports received in accordance with the Body's recommendations
- 3.19 In a few cases, where the TSB had reviewed Article 3:5 measures before 3 August 1984, its recommendations required reports from the parties concerned, during the period covered by this report. These referred to measures concerning Sweden/Turkey, the United States/Dominican Republic and the United States/Turkey.
- 3.20 In September 1984, the TSB received reports from Sweden and Turkey on their consultations concerning unilateral measures introduced by Sweden for a six-month period ending 6 September 1984 on imports of underwear and sweaters (Group 4/5) and trousers (Group 8) from Turkey. During its review of the reports, the TSB was informed that the measures had lapsed on 6 September 1984, without being renewed. (See paragraphs 4.31 to 4.33)
- 3.21 In October 1984, the TSB heard, from the Chairman, reports submitted by the <u>United States</u> and the <u>Dominican Republic</u> on their consultations concerning the unilateral measures taken under Article 3:5 on imports into the United States of man-made fibre suits for women, girls and infants (Category 644) and wool sweaters for women, girls and infants (Category 446)

from the Dominican Republic. The parties had reached agreement with respect to Category 644 (see paragraph 3.78), and were continuing consultations on Category 446. In a further report from the United States made in March 1985, the TSB was informed that the measure on Category 446 had expired on 30 January 1985, without being renewed. (See paragraphs 4.34 and 4.35)

- 3.22 In October 1984, the <u>United States</u> informed the TSB that it was terminating the restraint on imports of men's and boy's knit cotton shirts (Category 338) from Turkey.
- (iii) Matters referred to the TSB under Article 11, paragraphs 4 and 5
- 3.23 The TSB examined twenty-one cases referred to it under Article 11:4: China referred eight actions taken under the China/United States agreement; Indonesia referred eight actions taken under the Indonesia/United States agreement; Hong Kong referred four actions taken under the Hong Kong/United States agreement. India referred one action taken under the India/United States agreement. The TSB also received a notification under Article 11:5 from Hong Kong, in which it referred to an embargo on shipments of two categories resulting from the interim customs regulations on rules of origin for textiles and clothing introduced in the United States.
- 3. 24 Details concerning these communications are given below. TSB c svations are found in Chapter 4, Section B(iii).

China/United States

In November 1984, the TSB reviewed a notification under Article 11:4 from China, in which it referred cases of actions taken by the United States on eight categories (Categories 313, 317, 410, 436, 442, 444, 637 and 649), under the terms of the bilateral agreement between the parties. The TSB did not review the action on Category 436 as there was a divergence of opinion between the parties as to whether formal consultations had taken place as required by the agreement. It recommended that restraints on Categories 442 and 637 be rescinded. As regards Category 649, the TSB found real risk of market disruption and that the restraint was justified. With respect to the other categories, the TSB recommended further bilateral consultations, and indicated different elements that should be taken into consideration by the parties. In their reports on the results of these consultations, requested by 15 February 1985, the parties reported that consultations were ongoing. They subsequently reported that restrictions on Categories 442 and 637 had been rescinded, agreement reached on four categories and consultations were ongoing on Categories 410 and 436. (See paragraphs 4.39 to 4.48)

Hong Kong/United States

3.26 In December 1984, the TSB reviewed two notifications from Hong Kong under Article 11:4, in which it referred cases of actions on Categories 637, 650, 651 and 652. The TSB recommended that the restrictions on Categories 637, 650 and 651 be rescinded, and found a case of real risk of market disruption with respect to Category 652. The TSB was subsequently informed that measures on Categories 637, 650 and 651 had been rescinded. (See paragraph 4.49)

3.27 In December 1984, the TSB reviewed a notification made under Article 11:5 by Hong Kong relating to an embargo on certain shipments of wool sweaters (Category 445/6) resulting from the interim customs regulations on rules of origin for textiles and clothing introduced in the United States. The TSB recommended that the parties hold consultations and report by 20 February 1985. In reporting to the TSB on these consultations, the parties also stated that they intended to continue consultations. (See paragraphs 4.50 to 4.54)

India/United States

3.28 In October 1985, the TSB reviewed a notification from India referring under Article 11:4 of the Arrangement a restraint introduced by the United States under the India/United States agreement on Category 313 (cotton sheeting). The TSB recommended that the parties hold new consultations, and report back before the end of 1985. (See paragraph 4.55)

Indonesia/United States

- 3.29 In October 1984, the TSB reviewed a communication made under Article 11:4 by Indonesia, in which it referred cases of actions taken by the United States under the Indonesia/United States agreement on Categories 315, 317, 320 pt, 331, 339, 604, 639 and 640. As the parties had not held bilateral consultations on Categories 317 and 320 pt, the TSB did not fully address them. The TSB recommended that restrictions on Categories 604 and 640 be rescinded and found that imports from Indonesia of Category 315 had caused real risk of market disruption. With respect to the other categories the parties were asked to hold further consultations and report by 31 January 1985. In their reports, the parties informed the TSB that agreed solutions had been found with respect to Categories 317, 339, 639 and 640, and that consultations were ongoing with respect to the other categories. The TSB was later informed that agreed solutions had been found on all categories in the context of a new bilateral agreement. (See paragraphs 4.56 to 4.66)
- (iv) Matters reviewed under Article 11:4 before 3 August 1984 Subsequent reports received from the parties concerned
- 3.30 The TSB also received reports on matters it had examined under Article 11:4 prior to the period covered by this report. They concerned matters referred to by India and Pakistan on actions taken by the United States under the India/United States and Pakistan/United States bilateral agreements.

India/United States

In accordance with its recommendations on the matter brought by India concerning restraints introduced on Category 334 (men's and boys' other coats of cotton) and on Categories 445 and 446 (wool sweaters), the TSB received a report that restraints on Categories 445 and 446 had been rescinded with effect from 19 September 1984. The United States informed the TSB under Article 11:8 of the reasons why it considered itself unable to follow the TSB recommendation with respect to Category 334. It also informed the TSB that it had invited India to renew consultations on Category 334 on the basis of more recent data. Subsequently, the TSB was informed that these consultations on Category 334 had not resulted in an agreed solution, and in accordance with the provisions of the agreement between the parties, the restraint was maintained with growth at 6 per cent. In October 1985, the TSB reviewed a notification from India on Category 334 and the trade inhibiting effects of the limit on Group II (apparel) in the United States/India bilateral agreement, and took the view that both parties should renew consultations with a view to finding an agreed solution, taking into account more recent data and all other relevant factors, and report back to it before the end of 1985. (See paragraphs 3.82 and 4.67 to 4.71)

Pakistan/United States

3.32 In accordance with its recommendation on the matter brought by Pakistan on restraints introduced under the United States/Pakistan agreement on Category 334 (men's and boys' other coats of cotton) and on Category 350 (cotton dressing gowns), the TSB was informed that the parties had initiated bilateral consultations.

C. Bilateral agreement notified under Article 3

3.33 One agreement was notified to the TSB under Article 3, paragraph 4: the agreement on cotton yarn between Austria and Egypt, valid for the period 1 January 1985 to 31 December 1986. The base level was substantially above the reference level, and growth was set at 3 per cent. Imports into Austria for non-local consumption were expressly excluded from the restraint level.

D. Notifications received under Article 4

(i) Summary of notifications

3.34 During the period covered by this report, the TSB reviewed notifications under Article 4 made under the 1981 Protocol, which included twenty-five agreements, sixty-four modifications and four extensions. These are listed in the table below:

See the TSB's report for the major review, COM.TEX/SB/984, paragraph 5.44.

²See the TSB's report for the major review, COM.TEX/SB/984, paragraph 5.51.

Notifications of agreements or modifications thereof concluded under the 1981 Protocol received and reviewed under Article 4 since 3 August 1984 to 9 October 1985

Importing country	Exporting country		Agreement period	COM. TEX/SB
AUSTRIA	Philippines	(C)	1.1.85-	1048
CANADA	Indonesia Malaysia	(N) (M)	1.1.84-31.12.86 1.1.84-31.12.86	1043 1040, 1100 1101
	Romania Singapore Sri Lanka Thailand	(M) (M) (M) (M) (M)	1.1.84-31.12.86 1.1.85-31.12.86 1.1.83-31.12.86 1.7.84-31.12.86 1.1.85-31.12.86 1.1.84-31.12.86	1039 1081 1054 1055 1102 1038,1086
EEC	Bangladesh China Czechoslovakia Hong Kong Macao	(M) (SP)	1.1.84-31.12.86 1.1.84-31.12.88 1.1.83-31.12.86 1.1.83-31.12.86 1.1.83-31.12.86	1112 1051 1000 1041 989, 990,
	Pakistan Peru Philippines Poland Romania Thailand	(M) (M) (M) (M) (M) (M) (M)	1.1.84-31.12.86 1.1.85-31.12.86 14.6.83-31.12.86 1.1.84-31.12.86 1.1.83-31.12.86 1.1.83-31.12.86	1028 998 997 999,1046 996 993,994,995 1017
FINLAND	Hong Kong Sri Lanka	(N) (E)	1.8.84-31.12.86 1.6.84-31.12.86	1011 1045
NORWAY	Czechoslovakia Hong Kong Hungary Malaysia Philippines	(N) (N) (N) (N) (N)	1.7.84-30.6.87 1.7.84-30.6.87 1.7.84-31.12.86 1.7.84-31.12.87 1.7.84-31.12.86	1074 1075 1076 1098 1094

N : new agreement
M : modification of agreement
E : extension of agreement

C : consultation agreement
SP : supplementary protocol to agreement

Importing country	Exporting coun	try	Agreement period	COM. TEX/SB
NORWAY (cont'd)	Poland	(N)	1.1.85-31.12.87	1095
(00110 0)	Romania	(N)	1.7.84-31.12.87	1077
	Singapore	(N)	1.7.84-30.6.88	1097
	Thailand	(N)	1.7.84-31.12.87	1099
	Yugoslavia	(N)	1.1.85-31.12.87	1096
	1480314114	(11)	1.1.03 31.12.07	1070
SWEDEN	Brazil	(M)	1.9.84-31.8.87	1084
	Hong Kong	(E)	1.4.83-31.8.83	1078
		(N)	1.9.83-31.8.87	1090
	India	(N)	1.1.83-31.12.86	1085
	Indonesia	(N)	1.1.84-31.12.87	1088
	Macao	(N)	1.1.84-31.12.87	1069
	Philippines	(N)	1.11.82-31.10.87	1008
	Singapore	(N)	1.12.83-30.11.88	1070
	Sri Lanka	(N)	1.8.84-31.7.88	1073
UNITED STATES	Bangladesh	(N)	29.1.85-28.2.87	1091
	Brazil	(M)	1.11.83-31.3.85	1012, 1013,
		(M)	1.11.84-31.3.85	1065
	China	(M)	30.12.83-28.6.85	1025
	Dominican Rep.	(M)	1.12.83-1.5.88	1027
	Egypt	(M)	1.1.84-31.12.85	1009
	Hong Kong	(M)	1.1.84-31.12.87	1026, 1057
	Hungary	(M)	1.10.84-31.12.86	1063
	India	(M)	28.1.84-31.12.84	1036
	Indonesia	(M)	29.3.83-30.6.85	1023, 1061
	Japan	(M)	1.1.83-31.12.85	1001, 1016,
	-	(M)	1.1.85-31.12.85	1082
	Korea	(M)	1.3.84-31.12.87	1042, 1058,
		(M)	1.1.85-31.12.87	1071
	Malaysia	(M)	29.2.84-31.12.84	1010
	·	(E)	1.1.85-30.6.85	1052
	Maldives	(N)	29.9.82-28.9.85	1029
	Mexico	(M)	1.1.83-31.12.84	1018, 1019,
		(M)	1.1.84-31.12.85	1020
	Pakistan	(M)	29.1.84-31.12.84	1024
	Peru	(N)	1.5.84-30.4.89	1066
	Poland	(N)	1 1 85-31 12 89 .	1047
	Romania	(M)	1 1 92 21 12 9/1/	1014, 1015
		(N + M)	1 1 85-31 17 89-7.	1053, 1109
		(M)	1.1.84-31.12.872/	1056, 1108
	Singapore	(M)	1.1.84-31.12.85	1021, 1062
	Sri Lanka	(M)	1.6.84-31.5.88	1107
	Thailand	(M)	1.1.83-31.12.87	1105, 1106
	Uruguay	(E + M)	1.2.84-30.6.87	1022
	Yugoslavia	(M)	1.1.84-31.12.85	1064
	-08007010	\ /	11107 J111610J	2007

Covering wool and mmf products.

² Covering cotton products.

3.35 The following paragraphs contain a summary of notifications, giving elements contained in the bilateral agreements or modifications. TSB's observations are contained in Chapter 4. This summary 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

3.36 A bilateral export surveillance system was concluded with the Philippines. While notified under Article 7, the TSB decided that Article 4 was the relevant article applicable to this notification. Imports of woven blouses of man-made fibre or of cotton, previously subject to restraint, had been liberalized and made subject to surveillance and consultation procedures together with two other products already subject to these procedures.

Canada

- 3.37 A new selective bilateral agreement was concluded with Indonesia for the period 1 January 1984 to 31 December 1986; it succeeded a one-year arrangement between the parties concluded under Article 3:4. Froducts under specific restraint (trousers and shirts with tailored-collar) remained unchanged from the previous agreement, while other items were made subject to agreed consultation procedures. Base levels were set at levels substantially above the previous restraint levels, and growth rates were set at 6 per cent (trousers) and 7 per cent (shirts). Swing into the limits on trousers and shirts was available at 7 and 6 per cent respectively; carryover and carry forward were set at 11/6 per cent, with special carry forward available for the 1984 agreement year, to be deducted from the 1985 and 1986 limits. Cumulative use of flexibility for shirts was limited to 15 per cent.
- 3.38 The agreement concluded with <u>Malaysia</u> was modified. Product coverage was extended to include several clothing items; trousers, pants and shorts were brought under specific restraint, and other items were made subject to consultation and agreed licensing procedures, with effect from 1984. The base levels for the new restraints were at levels much higher than the relevant roll-back levels. Growth rate was set at 6 per cent, swing, carryover/carry forward were available at 7 and 11/6 per cent respectively and cumulative use of flexibility was set at 15 per cent. In another modification, Categories 2 (blouses and shirts for women, girls and infants) and 4 (acrylic yarn), previously under consultation levels were brought under

The previous restraint on shirts (tailored-collar) had in its turn superseded an Article 3:5 measure.

specific limits effective for the agreement period beginning 1 January 1983, at levels 6 per cent higher than the consultation levels and growth at 6 per cent. Swing for Category 2 was available at 7 per cent and carryover/carry forward at 11/6 per cent, with cumulative use of flexibility at 15 per cent. Carryover/carry forward for Category 4 was available at 11/6 per cent. The modification also included a new definition of acrylic yarn. In another modification, product coverage of Category 2 was extended to include shirts, other than tailored-collar, with an upward adjustment of the restraint level from 1 January 1984. Category 9 (T-shirts and sweatshirts) was brought under restraint as of 1 September 1984; the base level was higher than 6 per cent over previous trade, and growth was set at 6 per cent. Swing, carryover/carry forward were available at 7, and 11/6 per cent, with their cumulative use set at 15 per cent. An additional 500,000 units were made available ex-quota for 1984 shipments of T-shirts and sweatshirts covered by irrevocable letters of credit, and special carry forward in 1984 from 1985 and 1986 was possible for Category 9.

- 3.39 The bilateral agreement concluded with Romania was modified. The product coverage of Items 4 and 5 were re-grouped in terms of product coverage and their restraint levels modified to provide increased flexibility for products of greater export interest to Romania.
- 3.40 The agreement with <u>Singapore</u> was modified. Under this modification the parties agreed to the introduction of restraints on exports of underwear for the 1985 and 1986 agreement years. The base level was set substantially above the reference level, with growth at 6 per cent. Swing, carryover/carry forward were available at 7 and 11/6 per cent, with the cumulative use of flexibility at 15 per cent.
- 3.41 A new agreement was concluded with <u>Sri Lanka</u>, valid for the period 1 January 1983 to 31 December 1986. During its review, the TSB noted that the previous agreement had ended on 31 December 1981. The TSB was informed by Canada that pending the conclusion of a new agreement the parties had reached an informal understanding extending the 1981 restraints into 1982 at the same levels. In the agreement previous restraints on two products (shirts, tailored-collar and jackets) were maintained and restraints introduced on two products (trousers and work gloves); increases in

litem 4 which previously included shirts, blouses, T-shirts and sweaters was extended to include shorts, overalls, coveralls, jackets, coats, rainwear, sleepwear and bathrobes (products previously included in Item 5) leaving Item 5 to include only trousers. The total of the restraint levels for the two Items remained unchanged after the modifications.

²Canada was not a participant in the Arrangement during the period 1 January to 11 July 1982.

restraint levels over 1982 for previously restrained products were 9.2 and 15.8 per cent. Base levels for the newly restrained products were much higher than the relevant roll-back levels; growth rates were set at 6 per cent, with 7 per cent for the last agreement year with respect to one product (jackets). Swing was available at 7 per cent, with no swing between categories falling in different groups, carryover and carry forward were available at 11/6 per cent and the cumulative use of flexibility was set at 15 per cent.

- 3.42 This agreement was later amended; restraints were introduced on underwear and on blouses and T-shirts from 1 July 1984. Base levels were set substantially above the roll-back levels; growth rates at 6 per cent. Product coverage was extended to include certain fabrics, other clothing, and made-up items, and consultation provisions with respect to products not under restraint were agreed upon. Subsequently, the agreement was modified. Its product coverage was extended to include winter outerwear, and a specific limit was agreed for the agreement period beginning 1 January 1985. The base level was set substantially above the roll-back level, and growth was set at 6 per cent. Swing, carryover/carry forward were available at 7 and 11/6 per cent with their cumulative use set at 15 per cent.
- 3.43 Two modifications were made to the agreement concluded with <u>Thailand</u>. In the first modification, the consultation level for sportswear (including co-ordinates, outerwear sets, dresses, skirts and suits) was converted into a specific limit for the agreement period beginning 1 January 1984, at a level much higher than the consultation level. In the second modification restraints were agreed on underwear for 1985 and 1986, and on sweaters for the agreement period beginning 1 November 1984, at levels higher than the reference levels. Growth for these new restraints was provided at 6 per cent and carryover/carry forward was available at 11/6 per cent.

EEC

- 3.44 The consultation agreement between the EEC and <u>Bangladesh</u> was modified by the introduction of agreed restraints on imports of Category 8 (shirts) into France and the United Kingdom. The 1985 limits were considerably higher than previous trade, and growth was set at 6 per cent.
- 3.45 A Supplementary Protocol was concluded in 1984 to the <u>EEC/China</u> 1979 agreement on textiles trade, which had been previously renewed under its Article 22 for a further five-year period ending 31 December 1988. Under this Supplementary Protocol twenty categories were restrained at the Community level, and twenty-eight other categories were restrained in one or more member States; of the twenty categories restrained at the EEC level,

The text of the agreement had been transmitted to the Textiles Committee under Articles 7 and 8, as China was not a participating country at the time of notification. (COM.TEX/SB/601)

restraint on one category was newly introduced, and four categories had previously been restrained at the regional level. Increases in base levels for Community restraints ranged between 5.9 and substantially above 6 per cent, and for regional restraints between 5 per cent and substantially above 6 per cent; growth rates for Community restraints ranged between 0.5 and 6 per cent and for regional restraints between 4 and 6 per cent, resulting in compounded growth rates for categories under Community limits to range between 2.3 and higher than 6 per cent, and for most regional restraints to be higher than 6 per cent. Additional quantities were provided for some categories under restraint. Swing was set at 5 per cent, subject to certain limitations, with provision for additional swing between Categories 2 and 3; carryover/carry forward was set at 5 plus 5 per cent.

- 3.46 The bilateral agreement with <u>Czechoslovakia</u> was modified: agreed limits for the agreement period 1983 to 1986 were set on imports of other knitted outer garments (Category 83) into France.
- 3.47 The bilateral agreement concluded with Hong Kong was modified. Limits for the 1984 to 1986 agreement years were introduced on corsetry (Category 86) when imported into the United Kingdom; the base level was considerably higher than the reference level, and the growth rate was set at 4.5 per cent.
- 3.48 The TSB reviewed the notification of four modifications of the bilateral agreement with $\underline{\text{Macao}}$ concerning new agreed restraints for the agreement period 1983-1986:
 - regional restraints on imports of men's and boys' woven overcoats (Category 14B) into the United Kingdom, and on babies' garments (Category 71) into Ireland;
 - Community restraints on outer garments and clothing accessories (Category 83);
 - regional restraints on imports of babies' garments
 (Category 71) and woven industrial and occupational clothing
 (Category 76) into the United Kingdom, babies' garments
 (Category 80) and men's and boys' suits (Category 74/75) into
 France;
 - a regional restraint on imports of knitted trousers (Category 28) into the United Kingdom.

The agreement was further modified by the introduction of a new agreed limit on Category 76 (industrial and occupational clothing) when imported into Ireland, valid for the agreement period beginning January 1984.

¹ Category 74 was already subject to restraint

- 3.49 The agreement concluded with <u>Pakistan</u> was modified to include limits for the 1985 and 1986 agreement years on imports of bed linen (Category 20) into France.
- 3.50 The bilateral agreement concluded with <u>Peru</u> was modified by the introduction of agreed limits on imports of T-shirts (Category 4) into France for the period 14 June 1983 to 31 December 1986, and into Italy for the period 1 August 1983 to 31 December 1986.
- 3.51 The bilateral agreement concluded with the <u>Philippines</u> was modified by the addition of an agreed limit on imports of knitted suits for women (Category 74) into the United Kingdom, for the agreement years 1984 to 1986; the base level was considerable higher than the reference level, and growth was set at 4 per cent. A further modification introduced limits on imports into the United Kingdom of corsetry (Category 86), for the 1985 and 1986 agreement years. The base level for this category was considerably higher than the reference level and annual growth was set at 5 per cent.
- 3.52 The bilateral agreement concluded with <u>Poland</u> was modified by the introduction of new restraints on imports of men's and boys' woven jackets and blazers (Category 17) into Ireland for the agreement period 1983-1986.
- 3.53 The bilateral agreement concluded with Romania was modified by the introduction of new agreed restraints for the period 1983-1986: a regional restraint on imports of women's and girls' woven suits (Category 29) into France, a regional restraint on imports of knitted petticoats and slips (Category 69) into France, and a Community restraint on imports of knitted tracksuits (Category 73).
- 3.54 The bilateral agreement concluded with <u>Thailand</u> was modified by the introduction of an agreed limit on imports of woven suits and costumes for women, girls and infants (Category 29) into the United Kingdom, valid for 1984, 1985 and 1986.

Finland

3.55 A new bilateral agreement was concluded with Hong Kong valid for the period 1 August 1984 to 31 December 1986. Previous restraints on the three groups of products (briefs, shirts and blouses, brassières) were maintained; export authorization arrangements regarding certain clothing items were maintained, except for neck ties, which were removed from the coverage. Increases in base levels for the restrained products were 2.6 per cent, with 3.3 per cent for a sub-limit (blouses); growth rate within the agreement at 2 per cent was the same as in the previous agreement, except that the growth rate for a sub-limit at 2.5 per cent was lower than in the previous agreement. Swing into two groups was set at 5 per cent and into one group (brassières) at 3 per cent, and carryover/carry forward were available at 11/6 per cent.

3.56 The agreement concluded with <u>Sri Lanka</u> covering men's and boys' shirts of cotton or of man-made fibres was extended for the period 1 June 1984 to 31 December 1986.

Norway

- 3.57 A bilateral agreement was concluded with Czechoslovakia, valid for the period 1 July 1984 to 30 June 1987. The restraints in this agreement replaced restrictions previously notified to the GATT by Norway as measures taken under Article XIX. Seventeen categories were under restraint; Categories 1 to 8 had previously been covered by global quotas under Article XIX of GATT, while some of the other categories had been partly subject to bilateral quotas. The base level for Category 1 was below the level indicated in Annex B; for the other categories under restraint base levels were above, or substantially above, the level indicated in Annex B. Growth rates varied between 0.2 and 2.5 per cent; swing was not available, and carryover and carry forward taken together were available at 5 per cent, of which carry forward should not represent more than 2.5 per cent.
- 3.58 A bilateral agreement was concluded with Hong Kong, valid for the period 1 July 1984 to 30 June 1987. Fourteen categories were under restraint; Categories 1 to 8 had previously been covered by quotas notified to the GATT by Norway as measures taken under Article XIX; the base level for Category 9 was below the reference level utilized by the parties, while base levels for the other categories under restraint were above these reference levels. Growth rates varied between 0.1 per cent and 2 per cent, swing was not available for Categories 1, 2 and 3; it was available at 1.5 per cent for Categories 4, 5 and 6, and at 2.5 per cent for Categories 8 to 11, 12a, 13, 15 and 18. For Categories 1, 2 and 3, carryover and carry forward were available at 1 per cent, of which carry forward should not represent more than 0.5 per cent; for the other categories the respective percentages were 2 per cent and 1 per cent.
- 3.59 An agreement was concluded with <u>Hungary</u>, valid for the period 1 July 1984 to 31 December 1986. The restraints in this agreement replaced restrictions previously maintained by Norway under the Protocol of Accession of Hungary to GATT, or notified as measures taken under Article XIX. Fourteen categories (four of which being merged into two separate categories) were under restraint; Categories 1 to 8 had previously been covered by global quotas under Article XIX, while some of the other categories had been partly subject to bilateral quotas under the Protocol of Accession of Hungary to GATT. Base levels were, in all cases, substantially above the level indicated in Annex B; growth rates were 0.2 per cent in six cases, 2 per cent in the remaining six cases, and swing was not available. Carryover was available up to 8 per cent, carry forward up to 3.5 per cent; cumulative use of carryover and carry forward was limited to 8 per cent.

- 3.60 An agreement was concluded with Malaysia, valid for the period 1 July 1984 to 31 December 1987. Twenty-one categories were covered by the agreement, of which twelve were under restraint and nine under an administrative system of surveillance; of the categories under restraint eight had been previously covered by the measures notified by Norway under Article XIX of the GATT. Base levels were, in all cases, substantially above the reference levels, growth rates between 0.1 and 2 per cent; no swing was available, and carryover/carry forward were set at 4/2 per cent.
- 3.61 An agreement was concluded with the <u>Philippines</u>, valid for the period 1 July 1984 to 31 December 1986. Twenty-one categories were covered by the agreement, of which eight were under an administrative system of surveillance and thirteen under specific limits; of the latter, eight had been previously covered by the measures taken by Norway under Article XIX of the GATT. The base levels were in one case below the reference level, in one case less than 6 per cent above the reference level and in the other cases more or substantially more than 6 per cent over the reference level; growth rates were set between 0.1 and 2.5 per cent, no swing was available, and carryover/carry forward were set at 5/2.5 per cent.
- 3.62 An agreement was concluded with <u>Poland</u>, valid for the period 1 January 1985 to 31 December 1986. Twenty two categories were covered by the agreement, of which twelve were under an administrative system of surveillance and ten under specific limits; out of these ten categories eight had been previously covered by the measures taken by Norway under Article XIX of the GATT. The base levels were, in all cases, substantially above the reference levels, but in the case of two restraints the reference level was almost nil; growth rates were set between 0.3 and 1.5 per cent, no swing was available and carryover/carry forward were set at 8/3.5 per cent.
- 3.63 An agreement was concluded with Romania, valid for the period 1 July 1984 to 31 December 1987. The restraints in this agreement replaced restrictions notified to the GATT by Norway as measures taken under Article XIX, or maintained under the Protocol of Accession of Romania to the GATT. Seven categories were under restraint, three of them being merged into a single category, two others into another single category; Categories 3 to 8 had previously been covered by global quotas under Article XIX of GATT, while some of the other categories had been partly subject to bilateral quotas under the Protocol of Accession of Romania to GATT. Base levels were, in all cases, above the level indicated in Annex B, growth rates varied between 0.4 and 1.5 per cent and swing was not available. Carryover was available up to 6.5 per cent, carry forward up to 3.5 per cent; cumulative use of carryover and carry forward was limited to 6.5 per cent.
- 3.64 An agreement was concluded with <u>Singapore</u>, valid for the period 1 July 1984 to 30 June 1988. Twenty-one categories were covered by the agreement, of which twelve were under restraint and nine under an administrative system of surveillance; of the categories under quota, eight had been previously covered by the measures notified by Norway under

Article XIX of the GATT. Base levels were, in most cases, less than 6 per cent above the reference levels, and in two cases more than 6 per cent above the reference levels; growth rates were between 0.1 and 4 per cent, no swing was available and carryover/carry forward were set at 10/5 per cent.

- 3.65 An agreement was concluded with <u>Thailand</u>, valid for the period 1 July 1984 to 31 December 1987. It covered twenty-one categories, of which twelve were under restraint (two forming a merged category), and nine under an administrative system of surveillance; of the categories under quota, seven had been previously covered by the measures taken by Norway under Article XIX of the GATT. Base levels were in two cases equal to the 1982 restraint levels set out in the previous agreement concluded between the parties, in four cases less than 6 per cent above those restraint levels. In the other cases they were more, or substantially more than 6 per cent above the previous restraint or trade levels; in one case, however, the previous level of trade was very low. Growth rates were between 0.1 and 2.5 per cent, no swing was available and carryover/carry forward were set at 10/5 per cent.
- 3.66 An agreement was concluded with Yugoslavia, valid for the period 1 January 1985 to 31 December 1987. This agreement covered twenty categories, of which three were under restraint and seventeen under an administrative system of surveillance; the three categories under restraint had been previously covered by the measures taken by Norway under Article XIX of the GATT, while five other categories previously under these measures were made subject to consultations. The base levels were 12.2, 26.5 and 56.7 per cent above the reference levels; growth rate was set at 0.5 per cent, no swing was available and carryover/carry forward were set at 8/4 per cent.

Sweden

- 3.67 The bilateral agreement with <u>Brazil</u> valid under 31 August 1987, was modified by the introduction of a new restraint on Group B, with effect from 1 September 1984, and an annual growth rate of 0.5 per cent; the flexibility provisions were also modified by the introduction of swing at 3 per cent, and by allowing for the automatic use of carryover/carry forward, formerly subject to previous acceptance by the importing country. The consultation procedure eliminated the right of Sweden to introduce restraints by unilateral decision.
- 3.68 An agreement was concluded with <u>Hong Kong</u> for the period 1 September 1983 to 31 August 1987. The previous agreement had been extended pending consultations for a new agreement. In the new agreement restraints were maintained on all product groups previously under restraint and one product group previously covered by the aggregate, was placed under a specific limit; the aggregate and all restraint levels were lower than in the last year of the previous agreement; up to 6.2 per cent of each group or sub-group limit might be used for children's wear at a ratio of five

pairs/pieces of children's wear for three quota units; growth rates, at 0.2 per cent, were in all cases but one higher than in the previous agreement, and in one case similar to that of the previous agreement; flexibility was, in general, lower than in the previous agreement, and swing, previously explicit, was now incorporated in the reduced restraint levels. A special transfer provision had been agreed, according to which certain quantities would be debited from some groups and partly credited to other groups, the aggregate being decreased by an amount equivalent to the difference between the quantities debited and those credited. The conversion factor adopted for Group A was 38 esy per dozen instead of 51.25 esy per dozen.

- 3.69 Sweden notified a new agreement concluded with India for the period 1 January 1983 to 31 December 1986. It was agreed that for the period 1 August to 31 December 1986 the agreement may be revised in the light of any new arrangement which may succeed MFA III. The agreement which superseded provisional extensions of the previous agreement may be extended for a further twelve-month period. The product coverage remained unchanged from the previous agreement; two groups (4 and 5) were given a combined limit, with overlapping sub-limits; the increase in the base level for this combined limit over the sum of previous restraints was 0.1 per cent. Hand-made products from handloom fabrics, for which certification arrangements had not been established between the parties, were made subject to limits in all other groups, resulting in agreed base levels ranging between 8 and 11.5 per cent above previous restraint levels; traditional 'India items', having an agreed certification system, were not included in the limits. Growth rates for the second agreement year were set at 1.3 per cent for most groups and 2.8 per cent for three groups; for the third agreement year at 0.1 per cent and for the fourth agreement year at 0.5 per cent for most groups and 1 per cent for three groups. Swing, not available in the previous agreement, was set at 3 per cent; carryover and carry forward were set at 3 and 3 per cent and the combined use of flexibility was set at 3 per cent.
- 3.70 In a new agreement concluded with <u>Indonesia</u> for the period 1 January 1984 to 31 December 1987, restraints on four groups were continued. Base levels were increased by 6 per cent in three cases and nil in one case, and annual growth rates were set at 0.5 per cent. No rates were set for flexibility, but nevertheless may be agreed upon, after consultation.
- 3.71 A new agreement was concluded with Macao, valid with retroactive effect from 1 January 1984 to 31 December 1987. All previous restraints were maintained and product coverage remained unchanged. Increases in base levels varied between 0.1 and 0.75 per cent for group limits, and was 1 per cent for the "rest group"; growth rates within the agreement varied between 0.1 and 0.75 per cent for group limits, and was 1 per cent for the "rest group". Swing was provided at 3 per cent, carryover and carry forward at 3/3 per cent; cumulative flexibility was set at 3 per cent.

- 3.72 A new agreement concluded with the <u>Philippines</u> was valid with retroactive effect from 1 November 1982 to 31 October 1987. Product coverage remained unchanged and all previous restraints were maintained. Increases in base levels were 0.5 per cent for group limits, and 2.8 per cent for the "rest group", with growth rates within the agreement at 0.5 per cent. Swing was provided at 3 per cent, carryover and carry forward at 3/3 per cent and cumulative flexibility was available at 3 per cent.
- 3.73 A new agreement was concluded with <u>Singapore</u>, valid with retroactive effect from 1 December 1983 to 30 November 1988. This agreement superseded a provisional extension of the previous agreement. All previous restraints were maintained, product coverage remained unchanged and a new sub-limit within the "rest group" was introduced. Increases in base levels varied between 0.024 and 0.1 per cent for group limits, and was 0.1 per cent for the "rest group"; growth rates within the agreement varied from year to year between 0.025 per cent and 1.6 per cent for group limits, between 1.3 and 1.7 per cent for the "rest group" and its sub-limits. Swing was provided at 3 per cent, carryover and carry forward at 3/3 per cent; cumulative flexibility was set at 3 per cent.
- 3.74 In the new agreement concluded with <u>Sri Lanka</u> valid for the period 1 August 1984 to 31 July 1988, all previous limits (three group limits and a limit on the "rest group") were maintained. Within the "rest group" sub-limits were put on two additional product categories. Growth in base levels were 0.5 per cent for group limits, 1 per cent for the "rest group"; annual growth, at 0.5 per cent for group limits and 1 per cent for the "rest group", was higher than in the previous agreement. Swing was available at 3 per cent, carryover and carry forward were available at 3 per cent and cumulative use of swing, carryover and carry forward was set at 3 per cent. The duration was four years as compared to two years in the previous agreement.

United States

3.75 The United States notified a bilateral agreement concluded with Bangladesh, which superseded restraints imposed by the United States under Article 3:5 of the Arrangement. (See paragraphs 3.11 and 3.12). The coverage was limited to Category 334 (cotton coats), under restraint from 29 January 1985 to 28 January 1987, and Category 340 (cotton shirts), under restraint from 1 March 1985 to 28 February 1987. In both cases the restraint levels for the first restraint year were substantially above the roll-back levels, and the growth rate for the second agreement year was 6 per cent. Swing was available at 6 per cent, and carryover/carry forward at 11/6 per cent.

- 3.76 The agreement concluded with <u>Brazil</u> was modified to place imports of Category 604 (spun non-cellulosic yarn) under restraint from 1 November 1983. In a further modification, consultation levels on Category 352 were increased twice for the 1984-1985 agreement year. In another modification, consultation levels were increased for the last agreement year ending on 31 March 1985, with respect to Categories 314, 320, 335, 336, 340, 341, 342, 345, 351, 359 pt and 361.
- 3.77 The agreement concluded with <u>China</u> was modified; the modifications concerned restraints introduced on several categories. Restraints on Categories 442 and 637 were later rescinded. (For details see paragraphs 3.25 and 4.41).
- 3.78 The agreement with the <u>Dominican Republic</u> was amended. Product coverage was extended to include women's, girls' and infants' man-made fibre suits (Category 644), with a specific limit agreed on this category for the period 1 December 1983 to 1 May 1988. The limit superseded the unilateral measure taken by the United States under Article 3:5 on this category (see paragraph 3.21), and was set at a level much higher than the unilateral limit. Growth was set at 7 per cent.
- 3.79 The consultation agreement with Egypt was amended by the introduction of agreed limits on four categories (300, 301, 313 and 317), effective 1 January 1984. These agreed limits were set at levels between 7.7 and 30.7 per cent above the roll-back levels and annual growth rates were set at 6.25 per cent; swing, carryover and carry forward were available at 6 and 11/6 per cent respectively, although no swing was available between Categories 300 and 301.
- 3.80 The agreement with Hong Kong was modified by the introduction for 1984 of restraints on imports of Categories 337, 359 pt (vests), 369 pt (shop towels), 605 pt (sewing thread), 637, 649, 650, 651, 652 and 659 pt (swimwear). The agreement was further modified, when under the consultation provisions of the agreement the United States elected to convert the 1984 limits on Categories 337, 359-V (vests), 359-I (infant sets), 359-C (coveralls), 369-T (shop towels), 605-T (thread), 649, 652, 659-S (knit swimwear) and 659-C (coveralls) into specific limits for the agreement period beginning 1 January 1985, with the growth rate at 2 per cent. Restrictions on Categories 637, 650 and 651 were subsequently rescinded. (For details see paragraphs 3.26 and 4.49).

Categories 317, 435 and 438: 30 December 1983-28 March 1985; Category 320 pt: 29 February 1984-28 May 1985; Category 410: 31 March 1984-28 June 1985; Categories 442 and 444: 24 January 1984-22 April 1985; Category 613 pt: 27 March 1984-25 June 1985; Category 637: 24 February 1984-23 May 1985; Category 638: 24 January 1984-22 April 1985; Categories 644 and 649: 28 March 1984-25 June 1985; Category 669: 30 December 1983-28 March 1985.

- 3.81 The agreement with <u>Hungary</u> was amended; both parties agreed to the inclusion of Category 445/6 (wool sweaters) in the agreement and the establishment of specific limits for the period 1 October 1984 to 31 December 1986. The base level was substantially above the reference level; growth was set at 1 per cent.
- 3.82 The agreement concluded with <u>India</u> was modified by the introduction of restraints on six categories (334, 337, 350, 359 pt (coveralls and overalls), 445 and 446). Restrictions on Categories 445 and 446 were subsequently rescinded. (For details see paragraph 3.31).
- 3.83 The agreement with <u>Indonesia</u> was modified with the introduction of specific limits on imports of Categories 319, 331, 341, 604 and 639; these limits were introduced by the United States under the provisions of the bilateral agreement between the parties. The agreement was further amended when restraints were agreed on six categories or part categories (Categories 317 with a sub-limit for sateens, 334, 339, 369 pt (shop towels), 639 and 640) for the last agreement period ending 30 June 1985. The levels agreed for all categories were substantially above the reference levels or previous restraints established by the United States.
- 3.84 The agreement concluded with <u>Japan</u> was modified by the establishment of a new agreed restraint on imports of women's, girls' and infants' wool suits (Category 444) for the calendar years 1983 to 1985. It was further amended: two-year (1984-1985) restraints were agreed on exports of Categories 334, 337 and 644, with the annual export limits not exceeding 60 per cent of the two-year limits. Annual limits for 1984 and 1985 were agreed on exports of Category 611. Under a third amendment, the parties agreed to the establishment of restraints on exports of man-made fibre work gloves (Category 631 pt) and men's and boys' man-made fibre coats (Category 634) for the last agreement year (1985). The restraint levels, which included swing, were set substantially above the minimum formula levels.
- The agreement concluded with Korea was modified by an adjustment of the limit on polypropylene bags (Category 669-P), with a 2.5 per cent annual growth rate. Product coverage was extended to include man-made fibre luggage (part-Category 670-L), and subject to a specific limit for the agreement period beginning 1 March 1984, with 2.5 per cent, annual growth. This product had been subject to action under Article 3:5. modification, made under the consultation provisions of the agreement, established limits for 1984 on Categories 300/301, 337, 436, 438, 359-V (vests), 459-WH (woven headwear), 659-S (swimwear) and 659-C (coveralls), and converted by the United States into specific limits for the agreement period from 1 January 1985; subsequently limits on Category 659-S (swimwear) were agreed, above the previous formula levels, and made effective retroactively from the 1984 agreement year; specific limits on 659-C (coveralls) for the agreement period effective 1984 were confirmed by both parties. Growth rates were set in accordance with the consultation provisions at 2.5 per cent for cotton and man-made fibre categories and at

See COM.TEX/SB/984, paragraphs 4.16 and 5.31

- l per cent for wool categories. In a subsequent modification, the parties agreed to specific limits on both parts of Category 614 (man-made fibre fabric) for the agreement period beginning 1984, with growth at 2.5 per cent. Agreement was also reached on a special swing of 3.5 per cent for the 1984 agreement year with respect to Category 670-L (man-made fibre luggage), as well as on overshipments of this category. In a later modification limits on Categories 605-0 (other than cordage) and 611 (mmf fabric) were agreed for 1985.
- 3.86 The agreement with Malaysia, scheduled to expire on 31 December 1984, was modified by an agreed restraint level on exports of cotton sweaters (Category 345) for the period 29 February to 31 December 1984. Subsequently, the agreement was provisionally extended for six months, beginning 1 January 1985. The TSB was informed by the United States that the extension had been superseded by a new agreement between the parties, which would be notified after the completion of necessary formalities.
- 3.87 A new agreement was concluded with the <u>Maldives</u>, valid for the period 29 September 1982 to 28 September 1985. It covered wool sweaters (Category 445/6) and replaced earlier unilateral measures taken by the United States under Article 3:5, which had expired in 1983. The parties agreed both to an overall quota covering the three-year agreement period with notional annual levels being much higher than the unilateral limit, as well as to the annual maximum levels which may be reached within the overall quota. Growth and flexibility were included in the restraint.
- 3.88 Several modifications were made to the agreement between the United States and Mexico: the establishment of a restraint by the United States, pursuant to the consultation provisions of the agreement, on imports of acrylic spun yarn (Category 604 part) for 1983 and 1984; an agreed specific limit set on other cotton apparel, other than diapers (Category 359 part); increases in designated consultation levels for 1984 on Categories 336, 341, 359 part (diapers), 433, 443 and 632; modifications of restraint levels on Categories 347/8 (cotton trousers) and 647/8 (mmf trousers); the setting of designated consultation levels on cotton yarn (Category 300/301) and spun non-cellulosic yarn (Category 604), with the conversion of the limit noted above into a sub-designated consultation level; and increases in the 1984 designated consultation levels with respect to Categories 433, 444 and 604 for 1984.
- 3.89 The agreement concluded with <u>Pakistan</u> was modified by the introduction by the United States of restraints on Categories 334 and 350. (See also paragraph 3.32).
- 3.90 A bilateral agreement was concluded with Peru, valid for the period 1 May 1984 to 30 April 1989. This agreement superseded unilateral actions on imports of two categories (Category 317 pt (twills) and 319) which had been placed under restraint by the United States under Article 3:5. (See paragraphs 3.14 and 3.15). In this agreement restraints were agreed on four cotton fabric categories (Categories 315, 317, 319 and 320); base levels

were substantially above the reference levels. Growth rates were set at 7 per cent, swing at 7 per cent and carryover and carry forward were set at 11/7 per cent. Wool products and cotton apparel, and four categories were subject to designated consultation levels. Should restraints result from the use of the consultation provisions contained in the agreement, growth would be applicable at 7 per cent for cotton and man-made fibre categories, and at 1 per cent for wool categories, with swing at 7 and 5 per cent respectively.

- 3.91 A new agreement was concluded with <u>Poland</u>, valid for the period 1 January 1985 to 31 December 1989. Aggregate, group and specific limits contained in the previous agreement were maintained. Increases in base levels over previous restraints and growth rates within the agreement were at 6.5 per cent for the aggregate limit, 6 per cent for the group limits and for limits on all non-wool categories except two categories which were at 3 per cent; increases in base levels and growth rates for limits on wool categories were at 1 per cent. Within the aggregate limit swing was available at 3 to 7 per cent between group limits and at 5 to 10 per cent between specific limits; carryover and carry forward were set at 11/6 per cent.
- 3.92 The agreement with Romania covering wool and man-made fibre products was modified by the introduction of an agreed restraint on Category 604 (mmf yarn) effective 1 January 1983, with growth set at 7 per cent; the parties also agreed to the conversion of the designated consultation level on Category 443/434 (men's and boys' wool coats) into a specific limit for the last agreement year (1984).
- A new bilateral agreement covering wool and man-made fibre products was concluded between the parties, valid for the period 1 January 1985 to 31 December 1989. Previous restraints on Group III, and on eight categories or merged categories were maintained; increases in base levels and growth rates for man-made fibre categories were 7 per cent, except for one category, where the increase in base level and growth rate were set at 3 per cent. Increases in base levels and growth rates for wool categories were set at 1 per cent. Adjustments were made in the levels for two categories (Categories 604 and 645/6) in settlement for special carry forward for Category 645/6 in the last agreement year of the previous agreement. Swing for man-made fibre categories was available at 7 per cent, and for wool categories at 5 per cent; carryover and carry forward were available at 11/6 per cent, with no carryover in the first agreement year. Previous designated consultation levels on Group II and certain categories were maintained, while categories not under specific limits or designated consultation levels were subject to minimum consultation levels. In a modification of the agreement the 1985 specific limit for Category 645/6 (sweaters) was increased by part of the unused 1984 carry forward for this category previously agreed by the parties. The consultation level for Category 648 (trousers for women, girls and infants) was increased for the 1985 agreement year.

- 3.94 The agreement with Romania covering cotton products was modified. Categories 347 and 348 (cotton trousers) previously subject to designated consultation levels were merged, and brought under specific limits from the second (1984) agreement year, with growth set at 7 per cent. In a further modification consultation levels for Categories 360 (pillow cases) and 361 (sheets) were raised for the 1985 agreement year.
- 3.95 The agreement concluded with <u>Singapore</u> was modified with agreed specific limits on Categories 341 and 641 (cotton and mmf woven blouses) for the 1984 and 1985 agreement years. Growth was set at 5 per cent. The two categories were previously subject to minimum consultation levels. In further modifications, the parties agreed to increases in the consultation levels for the 1984 agreement year with respect to Categories 331, 359, 445/446, 631 and 636, and for the 1985 agreement year with respect to Categories 331, 336, 337, 359, 631, 636, 637 and 640.
- 3.96 The agreement with <u>Sri Lanka</u> was modified by the introduction of an agreed restraint agreed on <u>Category</u> 336 (cotton skirts) for the period 1 June 1984 to 31 May 1988. Growth was set at 6 per cent.
- 3.97 The bilateral agreement with Thailand was modified twice. Under the first modification restraints were established in accordance with the consultation provisions of the agreement on Category 605 pt (mmf sewing thread) for the agreement period beginning 28 March 1984, and on Category 631 (man-made fibre gloves) for the agreement period beginning 1 January 1983. Growth rates for both categories were at 7 per cent. The second modification concerned limits subsequently agreed for Category 605 pt. The base level was 20 per cent higher than the formula level and superseded retroactively the level contained in the first notification. Growth was set at 7 per cent.
- 3.98 The selective agreement concluded with <u>Uruguay</u> was amended and extended with new restraints agreed on Category 410 for the period 1 February 1984 to 31 January 1986 and on Category 435 for the period 1 April 1984 to 30 June 1987. Increases in base levels over the relevant roll-back levels were 52 and 29 per cent respectively and annual growth was set at 1 per cent; swing, carryover and carry forward were available at 5 and 11/7 per cent respectively.
- 3.99 The agreement with Yugoslavia was amended by the introduction of an agreed a visa system for the products covered by the bilateral agreement.
- (ii) Notifications received but not as yet reviewed by the TSB
- 3.100 The TSB has received but not as yet reviewed certain notifications made under Article 4. These are bilateral agreements concluded by <u>Sweden</u> with <u>Korea</u> and <u>Yugoslavia</u>, an extension of the <u>United States/Malaysia</u> agreement, and a new agreement between the <u>United States</u> and <u>Malaysia</u>.

E. Notifications under Articles 7 and/or 8

3.101 Pursuant to the request made by the Textiles Committee that participants notify actions taken vis-à-vis non-participating countries, some notifications were made of agreements concluded with such countries. Two notifications concern countries which subsequently became participants. Certain notifications on arrangements between participating countries were also notified. The TSB transmitted these notifications for the information of the Textiles Committee. Summaries of these notifications are given below.

Notifications received under Articles 7 and/or 8 under the 1981 Protocol since 3 August 1984 to 9 October 1985

Notifying country	Exporting country	Article	COM. TEX/SB
CANADA	Mauritius 1/ (25.5.84-31.12.86)	7 & 8	1049
EEC	China ^{2/} (1980-1983)	7 & 8	1059
	Turkey3/ (8.5.84-31.12.84)	7	1034
	Yugoslavia (1.1.83-31.12.86)	7 & 8	1002
NORWAY	Malta ^{1/} (1.1.85-31.12.85)	7 & 8	1103
SWEDEN	Mauritius $\frac{1}{}$ Records of Understanding (1982-1983)	7 & 8	1003
SWITZERLAND	Hong Kong Admin. arrangement (1984-1985)	7	1030

Non-participating country.

 $^{^{2}}$ Notification covering period when China was a non-participating country.

 $^{^{3}}$ Safeguard measure under the EEC/Turkey Association agreement.

Notifying country	Exporting country	<u>Article</u>	COM.TEX/SB
UNITED STATES	Costa Rica ^{1/} (1.1.84-31.12.87)	7 & 8	1033
	Mauritius 1/ (1.10.84-30.9.90)	7 & 8	1092
	Panama ^{2/} (1.12.83-30.11.85)	7 & 8	1031
		7 & 8	1032

(i) Notifications concerning non-participants

- 3.102 Canada, Sweden and the United States notified bilateral agreements they had concluded with Mauritius and the United States notified agreement with Costa Rica. Norway notified an agreement concluded with Malta.
- 3.103 The Canada/Mauritius agreement was concluded for the period 25 May 1984 to 31 December 1986; the Sweden/Mauritius agreement was valid. for the calendar years 1982 and 1983; the United States/Mauritius was concluded for the period 1 October 1984 to 30 September 1990; the United States/Costa Rica agreement covered the period 1 January 1984 to 31 December 1986; and the Norway/Malta agreement covered a one-year period beginning 1 January 1985.

(ii) Notifications concerning participants

3.104 The EEC notified modifications of its agreement with China. These concerned new restraints introduced during the period 1980 to 1983 when China had not acceded to the Arrangement. termination of the following

. . .

3.105 The EEC took safeguard measures with respect to imports of certain products from Turkey for the period 8 May to 31 December 1984. They were taken under Article 60 of the Additional Protocol to the EEC/Turkey Association agreement and notified to the TSB under Article 7. The products affected were those covered by Categories 4, 6, 13 and 83 when imported into the Community, Category 26 when imported into France, and Category 32 when imported into the United Kingdom. (See paragraph 4.121).

Non-participating country.

²At time of notification not a participating country.

- 3.106 The EEC notified an Additional Protocol to its Co-operation Agreement with Yugoslavia. This Additional Protocol contained an agreement on trade in textile products for the period 1 January 1983 to 31 December 1986.
- 3.107 Switzerland notified a further one-year extension ending June 1985 of the Memorandum of Understanding and administrative arrangement regarding exports of textiles from Hong Kong. This notification was made under Article 7. (See paragraph 4.122).
- 3.108 The <u>United States</u> notified a bilateral agreement with <u>Panama</u> covering wool sweaters for the period I December 1983 to 30 November 1985. At the time of notification, Panama was not a participating country. The <u>United States</u> also notified the text of a visa agreement covering trade in textiles with <u>Uruguay</u>.

F. Notifications under Article 11

- 3.109 Pursuant to the provisions of Article 11, paragraphs 11, 12 and 2, the Chairman, in May 1985 requested all participants to provide information on the restrictions maintained by them on imports of textile and clothing products. The information was requested in order to enable the TSB to carry out its obligations under Article 11, paragraphs 11 and 12.
- 3.110 By 9 October 1985 twenty-two replies were received: from Austria, Canada, El Salvador, the European Community, Finland, Haiti, Hong Kong, Hungary, India, Japan, Macao, Maldives, Norway, Peru, the Philippines, Singapore, Sweden, Switzerland, Turkey, the United States, Uruguay and Yugoslavia. The report by China submitted in accordance with the TSB's recommendation in September 1984 (see paragraph 3.3 above), was considered as also meeting the requirement of Article 11.
- 3.111 No replies were received from Argentina, Bangladesh, Brazil, Colombia, Czechoslovakia, Egypt, Guatemala, Indonesia, Israel, Jamaica, Korea, Malaysia, Mexico, Pakistan, Poland, Romania, Sri Lanka and Thailand. As stated earlier the Dominican Republic and Panama have not made any notification throughout their participation in the Arrangement.
- 3.112 Certain countries notified they maintained no restrictions:

 El Salvador, Hong Kong, Japan, Macao, Maldives, Singapore, Switzerland and Uruguay.
- 3.113 Hungary notified that its previous long-term trade agreement with Norway had expired. The new agreement between the parties which came into effect on 22 March 1985 contained no quotas on textile items. No other quantitative restrictions were maintained by Hungary.

Replies to the request made in 1984 were received during the period covered by this report from Brazil, Czechoslovakia, Poland and Romania.

- 3.114 Certain participants referred to GATT Article XVIII in their notifications: these were <u>Haiti</u>, <u>India</u>, <u>Peru</u>, the <u>Philippines</u>, <u>Turkey</u> and <u>Yugoslavia</u>.
- 3.115 <u>Haiti</u> notified that cotton yarn and fabrics, clothing and made-up items were subject to quotas and non-automatic import licensing. Haiti does not, at present, consult in the Balance-of-Payments Committee.
- 3.116 India notified that it had introduced a three-year import policy (1985-1988) allowing for increased import certainty. It had also added certain man-made fibre yarns and filaments to the list of products subject to the Open General License conditions. The last report of India's consultations with the Balance-of-Payments Committee is contained in BOP/R/143. The next consultations are scheduled in 1986.
- 3.117 Peru notified that for 1985 woven fabrics of man-made fibres were brought under prior import licensing, and imports of certain fabrics, made-up items and clothing were suspended. The last report of Peru's consultations with the Balance-of-Payments Committee is contained in BOP/R/137. Next consultations are scheduled in 1986.
- 3.118 The <u>Philippines</u> notified that imports of yarns, fibres and fabrics were subject to prior approval. Approval of items was determined according to domestic needs and their availability in the domestic market. No restrictions were maintained on imports of clothing. The Philippines consults regularly with the Balance-of-Payments Committee; the last report of consultations is contained in BOP/R/147, and the next consultations are scheduled in 1986.
- 3.119 <u>Turkey</u> notified that all imports of textiles and clothing items either were made subject to prior authorization or liberalized, including all items which until 1984 had been on the prohibition list. No quotas are applied to items subject to authorizations and licences are granted according to demand. The last report on Turkey's consultations with the Balance-of-Payments Committee held in October 1985 is contained in BOP/R/153.
- 3.120 Yugoslavia notified that its régime introduced in June 1983 continued to apply: imports of restricted items were subject to quotas and applied on a most-favoured nation basis. The development policy of the country and the domestic needs arising from it determine the import policy, which is decided by the different industry, consumer and other organizations within the Chamber of Economy of Yugoslavia. The quotas set vary from period to period as a function of the changing priority of needs. The report on Yugoslavia's last consultations with the Balance-of-Payments Committee is contained in BOP/R/143. Yugoslavia is scheduled to hold its next consultations in 1986.

- 3.121 Notifications submitted by Austria, Canada and Finland referred to agreements or modifications of agreements, notified to the TSB under the relevant articles of the MFA. Notifications by the EEC, Norway, Sweden and the United States referred to agreements, or modifications and actions notified (or to be notified) under the MFA, as well as other measures taken in particular with respect to non-participants in the MFA. As regards the latter measures:
 - (a) <u>EEC</u> informed about changes in the restrictions maintained vis-à-vis imports from Albania, German Democratic Republic, Democratic People's Republic of Korea, USSR and Vietnam.
 - (b) Norway gave information on restrictions maintained on imports from the German Democratic Republic.
 - (c) <u>Sweden</u> provided information on bilateral quotas on imports from China maintained under the long-term trade agreement with China; bilateral quotas on imports from Czechoslovakia, Hungary, Poland and Romania maintained under bilateral trade treaties; on liberalization of certain quotas with respect to Czechoslovakia and Romania; and on restraints maintained on imports from Albania, Bulgaria, German Democratic Republic, Democratic People's Republic of Korea, USSR and Vietnam.
 - (d) <u>United States</u> notified measures taken under Section 204 of the Agricultural Adjustment Act with respect to certain imports from Portugal and Spain.

The TSB had not completed its review of this notification by 9 October 1985.

Chapter 4: Observations by the TSB

A. Observations on Article 2 notifications

- 4.1 During the review of the notification made by Norway under Article 2:1, (see paragraph 3.2) and at its invitation, the TSB heard a representative of Norway who clarified certain aspects of the notification and provided additional information. The TSB was informed that all bilateral agreements concluded by Norway were MFA-type agreements, and would be notified to the TSB. (For summaries of agreements concluded with Czechoslovakia, Hong Kong, Hungary, Malaysia, the Philippines, Poland, Romania, Singapore, Thailand and Yugoslavia see paragraphs 3.57 to 3.66).
- 4.2 The report made by <u>China</u>, which also met China's obligations to report under Article 2:4 (see paragraphs 3.3 and 3.4), was reviewed by the TSB in accordance with its procedure for examining restrictions maintained by participants, non-contracting parties to GATT.
- 4.3 After its review, the TSB recommended that China submit a further report, not later than 1 June 1986, which would:
 - (a) describe the evolution of China's textile industry;
 - (b) explain the relationship of such evolution to the restrictions then in effect;
 - (c) clarify the degree of discretion applied in granting import licences; and
 - (d) describe explicitly the way in which textiles covered by the MFA other than those of man-made fibres are imported into China.
- 4.4 The TSB received no notifications under Article 2:1 from the Dominican Republic and Panama, which should have been made no later than 9 April 1984 and 16 March 1985, respectively. The TSB understands that in accordance with Article 2:1 in fine any measures applied by these countries have become contrary to the Arrangement, and should have been terminated.

¹COM.TEX/SB/1035

 $^{^{2}}$ COM.TEX/SB/1083

- B. Observations and recommendations of the TSB on unilateral measures and other matters referred to the TSB
- (i) Unilateral measures under Article 3 reviewed by the TSB since 3 August 1984
- 4.5 Sixteen unilateral measures were notified to the TSB under Article 3. Of these one was a communication under the first part of Article 3:6 for the information of the Body. With respect to several measures the TSB was requested to defer its examination, and after consideration of these requests, agreed to do so. Of these, the TSB was subsequently informed that one measure had been dropped, and in four cases agreement had been reached after consultations. With respect to the remaining ten cases which the TSB examined, it:
 - (a) recommended that one restraint be rescinded;
 - (b) did not find it necessary to make any observations with respect to two cases;
 - (c) recommended bilateral consultations under Article 3:9 in one case; and
 - (d) recommended further bilateral consultations in six cases, requesting in five cases a report from the parties by November 1985.
- 4.6 The TSB was informed:
 - (a) that in accordance with its recommendation in 4.5(a) above, one restraint had been rescinded;
 - (b) that the three restraints on cases where the TSB had not made any observations or had recommended consultations under Article 3:9, had expired (see 4.5(b) and 4.5(c) above);
 - (c) that an agreed solution had been found after bilateral consultations in one case.
- 4.7 The TSB's observations and recommendations with regard to the Article 3:5 measures are contained in the paragraphs below.

Sweden

4.8 With respect to four unilateral measures taken under Article 3:5 by Sweden with respect to certain clothing and made-up items imported from Turkey (see paragraphs 3.9 and 3.10 above), both parties informed the TSB in February 1985 that Turkey had requested Sweden for further bilateral consultations in the near future, and that Sweden had agreed to this request. The parties therefore requested the TSB to defer its consideration of the measures, pending the results of such consultations. The TSB agreed to defer its consideration until after such consultations had taken place, on the understanding, however, that it might revert to the matter at any time, at the request of either party, or on its own decision.

- 4.9 Reports on these consultations were reviewed in July 1985 when the TSB also heard presentations by delegations from both parties, which contained information relating to the most recent developments affecting textile exports from Turkey to Sweden, including the products under restraint.
- 4.10 The TSB recommended that the restraint on Group 4/5 be rescinded, and that the two parties consult on Group 8, with a view to the elimination of the unilateral measure as soon as possible in terms of Article 3, paragraph 9 of the Arrangement, and report to the TSB not later than 26 July 1985. In reaching these recommendations, the TSB bore in mind (a) the market situation regarding the products concerned at the time of the request for consultations (i.e. 21 September 1984) and at present; (b) the history of bilateral consultations; (c) all relevant information presented by both parties as regards the most recent market situation and trends; and (d) the expiry date of the measures.
- 4.11 The TSB further recommended that both parties avoid taking measures that might have disruptive effects in each other's markets.
- 4.12 The TSB received reports from both parties and noted that Sweden was instituting procedures to eliminate the measure on Group 4/5. With respect to its recommendation regarding Group 8, the TSB regretted, considering the urgency of the matter, that the two parties were unable to consult before 26 July 1985. In this context, the TSB, noting the willingness of both parties to hold consultations, reiterated its recommendation that the two parties consult with a view to the elimination of the measure as soon as possible in terms of Article 3, paragraph 9. It requested a definitive report on the results of these consultations.
- 4.13 In September 1985, Sweden reported that it had rescinded the measure on Group 4/5 as of 21 August 1985. As regards the consultations recommended on Group 8, the TSB received a report from Sweden that consultations with Turkey were held under Article 3:9 in accordance with the TSB's recommendation. During these consultations, held on 4 and 5 September, and in view of the differences in their import and export data, the two parties decided to let the restraint expire. The restraint expired on 21 September 1985 and Sweden had not sought to renew it.

¹COM.TEX/SB/1044 and 1089

 $^{^{2}}$ COM.TEX/SB/1093

³COM.TEX/SB/1104 and 1113

United States

- 4.14 The TSB agreed on two occasions to defer its examination of the measures taken by the United States with respect to imports of certain products from Bangladesh (see paragraphs 3.11 and 3.12); this was done at the request of the parties due to ongoing consultations. In July 1985, the TSB was informed that agreed solutions which superseded the unilateral measures had been found, and would be notified to it. The TSB therefore did not find it necessary to examine the measures. (Details of the bilateral agreement are contained in paragraph 3.75).
- 4.15 During its review of the measure taken by the United States on imports of Category 319 from $\underline{\text{Peru}}$ (see paragraph 3.14 above), the TSB heard presentations by delegations $\underline{\text{from}}$ both parties.
- 4.16 The TSB noted: (a) the statements by both delegations that Peru declined to enter into consultations within the sixty-day period, so notifying the United States on 8 March 1984; and (b) the statement by Peru that it did not enter into consultations because it had found that the data supplied by the United States were inadequate and therefore not in conformity with the MFA, and did not demonstrate market disruption.
- 4.17 The TSB found that: (a) the United States in requesting consultations had not fully complied with the requirements of Article 3:3 as regards the provision of the reasons and justification for the request, including the latest data concerning elements of market disruption; and (b) additional data were made available to Peru only at the time the restraint was introduced by the United States in April 1984.
- 4.18 The TSB was of the opinion that the information provided by the United States to Peru at the time of the request for consultations, and up to the introduction of the restraint, was insufficient to sustain the claim of market disruption, and recommended that:
 - (a) the United States should not insist that 31 January 1984 be maintained as the effective date of the request for consultations and that it consider 31 March 1984 as the effective date. This would take account of the views of both countries with respect to the way the consultation request had been made and the consultation process had been followed;
 - (b) the parties hold consultations on the basis of the data now available, taking into account all relevant provisions of the MFA, including paragraph III of Annex A.

¹COM.TEX/SB/1079, 1083 and 1089

²COM.TEX/SB/1004

- 4.19 The United States subsequently notified that it had concluded a bilateral agreement with Peru which included Categories 319 and 317 pt. The TSB had deferred its consideration of a unilateral measure on Category 317 pt, due to ongoing consultations between the parties. (For TSB's review of the bilateral agreement, see paragraphs 4.76 and 4.118 below).
- 4.20 During its review of the action taken by the United States on imports of spun-plied acrylic yarn (Category 604 pt) from Turkey (see paragraph 3.16), and after having heard presentations of their respective cases from delegations of both parties, the TSB was informed that both parties intended to hold further consultations with a view to resolving this matter.
- 4.21 The TSB, therefore, recommended that in their forthcoming consultations both parties should take account of: (a) the status of Turkey in terms of Article 6 of the MFA and paragraph 12 of the 1981 Protocol of Extension; and (b) the elements set out in paragraph III of Annex A. The parties were asked to report on the outcome of these consultations not later than 31 March 1985.
- 4.22 The TSB reverted to its review of the matter in April 1985 in the light of reports from both parties that the consultation held in accordance with the TSB's recommendation, had not resulted in an agreed solution.
- 4.23 The TSB received additional information from the parties with respect to the market situation for Category 604 pt as well as the consultations which had taken place. After hearing the evidence provided to it, both orally and in writing, the TSB felt that the two parties had not exhausted all possibilities of reaching a mutually acceptable solution to this problem.
- 4.24 The TSB noted: that the persisting problem related mainly to the restraint level as a result of the application of the Annex B reference period; that the United States had arrived at the reference level strictly in accordance with the procedures laid down in paragraph 1(a) of Annex B of the MFA; that a restraint level based on this reference level should also take account of Article 6 of the MFA and paragraph 12 of the Protocol of Extension; the willingness of both parties to continue consultations; and recommended that the parties resume their consultations forthwith Reports on these consultations were requested not later than 1 June 1985.

¹COM.TEX/SB/1006 and 1037

²COM.TEX/SB/1044 and 1067

- 4.25 In June 1985, the parties requested that the TSB defer its consideration of the reports submitted by them, as well as the action taken on Category 313 (see paragraph 3.17), in view of forthcoming bilateral consultations.
- 4.26 A further request for deferrment was made in July 1985. In considering this request, the TSB recognized that parties should be given the opportunity to hold consultations, in order to come to mutually acceptable solutions. It noted, however, that the restraint on Category 604 pt had been in effect since 1 November 1984, expiring on 31 October 1985, and that the restraint on Category 313 had been effective since 28 February 1985.
- 4.27 The TSB after careful deliberation decided to grant the two parties the possibility for further consultations and recommended that they report on the consultations no later than 6 September 1985.
- 4.28 The TSB reverted to the measure on Category 604 pt in September 1985, having received a report from the United States that consultations with Turkey had not resulted in an agreed solution.
- 4.29 The TSB was of the view that, with regard to the level of the restraint, the United States should take account of the comment made by the Body in paragraph 7 of its report of the meeting held on 16 and 17 April 1985, namely, that the restraint level should also take account of Article 6 of the MFA and paragraph 12 of the Protocol of Extension.
- 4.30 At its second September 1985 meeting, the TSB reverted to its consideration of the unilateral measure taken under Article 3:5 by the United States on imports of cotton sheeting (Category 313) from Turkey. It also reviewed measures taken on Categories 317 pt, 335, 339 and 340 (see paragraph 3.17). Having heard statements from both parties that a new round of consultations had been scheduled for 17-18 October, the TSB asked them 50 report on the result of these consultations no later than 5 November 1985.
- (ii) Reports on measures reviewed by the TSB before 3 August 1984
- 4.31 In compliance with its request made in July 1984, the TSB received reports from Sweden and Turkey on their consultations related to knitted underwear (Group 4/5) and trousers (Group 8).

¹COM.TEX/SB/1089

²COM.TEX/SB/1104

³COM.TEX/SB/1113

- 4.32 From these reports, the TSB noted that Sweden, while maintaining the restrictions, had offered to Turkey, in the context of a negotiation for an Article 4 agreement, levels equal to 1983 imports, representing considerable increases over the reference period levels for the Article 3 measures. Turkey, while maintaining its position that restraints were not necessary for Group 4 products, had reduced by 2 per cent the levels it had requested for accepting restraints for both Groups 5 and 8. The TSB was not clear from the reports whether in their consultations the two parties had taken fully into account the Body's recommendations that with a view to reaching a mutually acceptable solution, they should take into account the status of Turkey in terms of Article 6 and other relevant provisions of the MFA and the need to avoid damage to Sweden's minimum viable production.
- 4.33 However, having been informed by Sweden in the course of the meeting that the measures had expired on 6 September 1984 without being renewed, the TSB did not find it necessary to pursue the matter. (See also paragraphs 3.9, 3.10 and 4.8 to 4.13)
- 4.34 The <u>United States</u> and the <u>Dominican Republic</u> reported to the TSB on the results of their consultations concerning man-made fibre suits for women, girls and infants (Category 644) and sweaters for women, girls and infants (Category 446). They reported that they had reached agreement on a restraint level for Category 644 and intended, with regard to Category 446, to hold a new round of negotiations in the third week of November 1984, and for this reason asked the TSB to postpone consideration of this matter.
- 4.35 The TSB agreed to defer its consideration of the measure concerning Category 446, and recommended that both parties report on the result of their consultations not later than 30 November 1984. The TSB was informed in December 1984, that the bilateral consultations had not been completed, and in March 1985 the United States reported that the measure had expired on 30 January 1985, without being renewed. The TSB did not find it necessary to pursue the matter.

(iii) Matters referred to the TSB under Article 11:4 or Article 11:5

- 4.36 Since 3 August 1984 twenty-one cases were referred to the TSB under Article 11:4. These cases concerned actions taken under the consultation provisions of bilateral agreements concluded under Article 4. In three cases the TSB found real risk of market disruption. With respect to the other eighteen cases, the TSB:
 - (a) did not review one case noting the divergence of opinion between the parties concerned on whether they had held formal consultations;
 - (b) did not fully review two cases because the parties had not held consultations;

¹COM.TEX/SB/987

²COM.TEX/SB/1005, 1037 and 1050

- (c) recommended that the restrictions be rescinded in seven cases of which in one it found that the restraint had been placed on the full category, though the presentation on the market concerned only part of the market;
- (d) recommended that parties hold further consultations in eight cases where it found that:
 - (i) in two cases at the time of bilateral consultations there were insufficient data to substantiate real risk of market disruption and that the reference levels were low;
 - (ii) in four cases the reference levels were low or not representative of the exporting country's trade performance;
 - (iii) in one case real risk of market disruption had been correctly perceived but the reference level was low; and
 - (iv) in one case all negotiating possibilities had not been fully exhausted.
- 4.37 With respect to those cases which the TSB did not review and where the TSB made recommendations, it was informed that these had been observed by the parties concerned, as given below:
 - (a) measures on five cases had been rescinded;
 - (b) the measure in one case was rescinded, called again and a bilateral solution found;
 - (c) in one case the restraint on the full category was converted to part category;
 - (d) bilateral solutions were found after consultations in eight cases; and
 - (e) in three cases consultations were ongoing.

With respect to one case the TSB had requested a report before the end of 1985.

- 4.38 Details of the TSB's review of the cases, its observations and recommendations are given below.
- 4.39 During its review of the reference made by <u>China</u> under Article 11:4 to actions taken by the <u>United States</u> on eight categories (see paragraph 3.25 above), the TSB noting a divergence of opinion between the parties as to whether formal consultations had taken place with respect to Category 436, did not review the case, and recommended that the parties hold consultations.

- 4.40 The TSB heard presentations from both parties with respect to the other seven categories. During its review of these cases, and in particular Categories 317 and 410, the TSB found that the statements addressed by the United States to China at the time of the request for consultations lacked sufficient data to substantiate the claim of real risk of market disruption, and strongly recommended that the United States take this observation fully into account.
- 4.41 After its review of the cases related to Categories 442 and 637 the TSB recommended that the United States rescind the restrictions.
- 4.42 As regards Category 649, the TSB found that there was a case of real risk of market disruption, and that the restraint was justified.
- 4.43 As regards the restraint on Category 313, the TSB concluded that a real risk of market disruption had been correctly perceived by the United States at the time of the request for consultations, but that the roll-back period had resulted in a restraint level that was not representative of China's trade performance. The TSB therefore recommended that both parties hold consultations in order to negotiate a restraint level more representative of China's trade performance.
- 4.44 With respect to Category 444, the TSB found that the reference level was low, and recommended that the parties consult, taking this fully into account.
- 4.45 With regard to Categories 317 and 410, the TSB reiterated its view set out in paragraph 4.40 above that the information provided by the United States to China at the time of the request for consultations was insufficient to sustain the claim of risk of market disruption due to imports from China. The TSB was of the opinion that these imports at the time of the request for consultations were not threatening the orderly development of trade. In the light of this, and of subsequent developments, the TSB recommended that:
 - (a) the United States should adjust upwards forthwith the level of restraints for both categories;
 - (b) the United States should not insist that the dates of requests for consultation be maintained as the effective dates for the establishment of the reference level, and that in lieu it consider the end of the ninety-day period, mentioned in paragraph 8(b) of the bilateral agreement, as the effective dates;
 - (c) both parties consult in due time, bearing in mind the above sub-paragraphs and China's trade performance.
- 4.46 The TSB heard statements by both parties that embargoes were in effect in the United States on several of the categories under review. The TSB was of the opinion that to the extent that the consultations between the parties result in partial or total termination of these embargoes, they should ensure that the entry of such goods into the United States market be made in an orderly manner.

- 4.47 The TSB asked that the parties report back to it on the results of their consultations on Categories 313, 317, 410 and 444, not later than 15 February 1985. When the TSB received reports from both parties, it was informed that further consultations would be held shortly, and the TSB agreed to defer consideration of the matter pending receipt of the results of these consultations.
- 4.48 The TSB was informed that restrictions on Categories 442 and 637 had been rescinded, agreement reached on four categories, and consultations were ongoing with respect to Categories 410 and 436.
- 4.49 During its review of the reference made by Hong Kong regarding actions taken by the United States under the Hong Kong/United States agreement on Categories 637, 650, 651 and 652 (see paragraph 3.26), the TSB heard presentations from both parties and recommended that the United States rescind the restrictions established on Categories 637, 650 and 651. As regards Category 652, the TSB found that there was a case of real risk of market disruption. The TSB was later informed that restrictions on Categories 637, 650 and 651 had been lifted.
- 4.50 During its review of a reference made by Hong Kong under Article 11:5 to an embargo on certain shipments of wool sweaters (Category 445/6 resulting from the interim customs regulations on rules of origin for textiles and clothing introduced in the United States, (see paragraph 3.27), the TSB heard presentations from delegations of both parties.
- 4.51 The TSB noted that the measures were in force ad interim, some modifications thereto being possible, and that the United States did not seek bilateral consultations before introducing the provisional regulations. The TSB was of the opinion that the introduction of these interim measures had had the effect of upsetting the balance of rights and obligations under the bilateral agreement between the United States and Hong Kong, thus affecting its economic content and creating uncertainty.

4.52 The TSB recommended that:

- (a) the parties hold consultations as soon as possible with a view to restoring such a balance;
- (b) in the meantime, the parties co-operate to avoid disruption to the orderly and equitable development of Hong Kong's trade; and
- (c) the results be reported by both parties to the TSB no later than 20 February 1985.

¹COM.TEX/SB/1006 and 1044

²COM.TEX/SB/1037

- 4.53 From the reports received from the parties, the TSB noted Hong Kong's concern at "the failure of the United States, so far," to address the TSB's recommendation that pending the result of their consultations the parties co-operate to avoid disruption to the orderly and equitable development of Hong Kong's trade referred to in paragraph 4.52 above. In this respect, the TSB reiterated the recommendations it made during its previous review of this matter.
- 4.54 The TSB, noting that the parties intended to resume their consultations shortly, decided to defer its consideration of the matter until further reports were received. The TSB was subsequently informed that both parties understood that further consultations would be held at an appropriate time on the effects of the regulations which became final on 5 March 1985.
- 4.55 During its review of the reference made by <u>India</u> under Article 11:4 to the restraint introduced on Category 313 (cotton sheeting) by the United States (see paragraph 3.28), the TSB bore in mind the status of India in terms of Article 6 of the Arrangement. The TSB was of the opinion that the possibilities for finding an agreed solution had not been exhausted, and therefore recommended that the parties hold new consultations, and report back to it before the end of 1985.
- 4.56 During its review of the cases referred to by <u>Indonesia</u> under Article 11:4 on actions taken on eight categories by the <u>United States</u>, (see paragraph 3.29 above) the TSB heard presentations from both parties.
- 4.57 Throughout its review of the notification, the TSB bore in mind
 (a) the status of Indonesia as a developing country and a new entrant and
 (b) the interests of Indonesia in terms of paragraph III of Annex A.
- 4.58 In reviewing the restraints on the eight categories, the TSB noted that: (a) some of the United States statements addressed to Indonesia at the time of the calls lacked sufficient details to substantiate a case of market disruption or real risk thereof; and (b) in some cases, Indonesia largely exceeded the limits applicable under paragraph 12(c) of the United States/Indonesia bilateral agreement.
- 4.59 In reviewing the restraint introduced on Category 604, the TSB noted that the presentation made by the United States had been only on part of this category and therefore a risk of market disruption for the whole category had not been established. The TSB therefore recommended that this restriction be rescinded.
- 4.60 As regards Category 640, the TSB recommended that the restraint on this category be rescinded.

¹COM.TEX/SB/1037 and 1044

²COM.TEX/SB/1114

- 4.61 As regards Categories 317 and 320 pt, the TSB noted that the ninety-day level which Indonesia was obliged to observe under the bilateral agreement was based on a roll-back period during which exports from Indonesia were not at a level that could be regarded as representative of Indonesia's trade performance. The TSB also noted that the two parties had not held consultations on these two categories, and therefore it did not address them further. In their consultations the parties should take into account Indonesia's status as noted in paragraph 4.57 above.
- 4.62 In the light of its review of Categories 331, 339 and 639 the TSB recommended that the parties resume consultations as soon as possible. Based on the data made available during its review of these categories, the TSB was of the view that the roll-back periods were not representative of Indonesia's trade performance and that in their consultations the parties should take this into account, as well as Indonesia's status as noted in paragraph 4.57 above.
- 4.63 The parties were requested to report to the TSB the results of these consultations as soon as possible and not later than 31 January 1985.
- 4.64 As regards Category 315, the TSB heard a statement by Indonesia that its exports to the United States were overwhelmingly of a cotton and polyester blend, and that this should be taken into account in consultations between the parties. On the basis of the data provided on this category, the TSB found that the imports from Indonesia were causing a real risk of market disruption in the United States market.
- 4.65 The TSB heard statements by both parties that embargoes were in effect in the United States on several of the categories under review. The TSB was of the opinion that if the consultations between the parties resulted in partial or total termination of these embargoes, they should ensure that the entry of such goods into the United States market be made in an orderly manner.
- 4.66 On receiving reports from the parties, the TSB noted that agreed solutions had been found with respect to four categories (Categories 317, 339, 639 and 640) and that consultations were ongoing with respect to the other categories. The TSB agreed to defer its consideration of these reports, pending the results of the ongoing consultations. The TSB was subsequently informed that agreed solutions had been found on all categories in the context of a new bilateral agreement.
- (iv) Matters reviewed under Article 11:4 before 3 August 1984: Report under Article 11:8
- 4.67 In accordance with its recommendation concerning the matter brought by <u>India</u> concerning restraints introduced by the <u>United States</u> on Categories 334, 445 and 446 (see paragraph 3.31), the TSB was informed that restraints on Categories 445 and 446 had been rescinded.

¹COM.TEX/SB/1005 and 1044

- 4.68 In October 1985, the TSB reviewed a notification from India concerning Category 334. Throughout its review the TSB bore in mind the status of India in terms of Article 6 of the Arrangement.
- 4.69 The TSB had reviewed in 1984, at India's request under Article 11:4, the matter concerning Category 334 and had recommended that the restraint be rescinded. The United States had subsequently reported to the Body, following the procedures set out in Article 11:8, of the reasons why it considered itself unable to follow the recommendation and informing the Body that it had invited India to fresh consultations on Category 334 based on revised data. The restraint had been in effect since 28 January 1984, and the United States had exercised its option under the bilateral agreement to convert the limit into a specific limit for 1985 with growth at 6 per cent.
- 4.70 During its review, the TSB was provided with more up-to-date information on recent developments in the market situation in the United States such as data on production, imports from all sources and imports from India. The TSB was of the opinion that these recent data showed that the trend of imports from India in the period August to December 1984 had been consistent with the information provided to the TSB at the time it had made its recommendation to rescind the restraint on this category; moreover, the trend of imports from India perceived by the United States at the time of its report under Article 11:8, as well as at the time of conversion of the limit into a specific limit, had not materialized.
- 4.71 The TSB took the view that both parties should renew consultations with a view to finding an agreed solution, taking into account these more recent data and all other relevant factors. The TSB requested the parties to report back to it before the end of 1985.

C. Observations on bilateral agreements or modifications thereof

4.72 The following paragraphs contain the observations made by the TSB after its review of bilateral agreements or modifications thereof, notified under Article 3:4 or Article 4. The notifications were transmitted to the Textiles Committee after their review. The present section should be read together with Sections C and D of Chapter 3.

I. Notification under Article 3:4

4.73 During its review of the bilateral agreement between Austria and Egypt (see paragraph 3.33), the TSB noted that the growth rate was below 6 per cent, but it took into account that the base level was substantially above the reference level, and that imports into Austria for non-local consumption were expressly excluded from the restraint level.

¹COM.TEX/SB/978, 1004 and 1114

²COM.TEX/SB/1072

II. Notifications under Article 4

- 4.74 During its reviews, the TSB often made observations and recommendations. In some cases it took note of statements made by parties relating to the relevant notifications: these are included in this section. The TSB also received notifications which included restraints it had reviewed under matters referred to it under Article 11:4; it decided not to review those cases again.
- 4.75 In the review of certain notifications, the TSB took into account additional considerations:

During its review of the Supplementary Protocol concluded in 1984 to the EEC/China 1979 agreement on textiles trade (see paragraph 3.45), the TSB took into account all the applicable elements of the agreement relevant to the Supplementary Protocol. The TSB did not, in its review, address those elements of the agreement that had not been modified by the Supplementary Protocol. The TSB took the view that any further modifications of the agreement should be notified for review by the TSB on their conformity with the MFA.

The TSB reviewed several agreements notified by Norway. These were the first agreements concluded by Norway, which the TSB reviewed since Norway's acceptance of the MFA on 1 July 1984. In reviewing these agreements, the TSB bore in mind that Norway had been a participant in the MFA until 31 December 1977; thereafter it adopted an import régime which was not based on the Arrangement.

Transmittal without specific observations

4.76 In several cases the TSB transmitted notifications without making any observations. These concerned the agreements concluded by <u>Canada</u> with <u>Indonesia</u> and <u>Sri Lanka</u> (see paragraphs 3.37 and 3.41), and by the <u>United States</u> with the <u>Maldives</u> and <u>Peru</u> (see paragraphs 3.87 and 3.90).

The TSB also made no observations on modifications of agreements notified by <u>Canada</u> with <u>Malaysia</u>, <u>Singapore</u>, <u>Sri Lanka</u> and <u>Thailand</u> (paragraphs 3.38, 3.40, 3.41 and 3.43); by the <u>EEC</u> with <u>Bangladesh</u>, <u>Czechoslovakia</u>, <u>Hong Kong</u>, <u>Macao</u>, <u>Pakistan</u>, <u>Peru</u>, the <u>Philippines</u>, <u>Poland</u>, <u>Romania</u> and

 $^{^{1}}$ COM.TEX/SB/1060

²COM.TEX/SB/1079

³COM.TEX/SB/1044 and 1060

⁴COM.TEX/SB/1035 and 1067

⁵COM.TEX/SB/1044, 1083, 1087 and 1104

⁶COM.TEX/SB/1004, 1035, 1044 and 1113

Thailand (paragraphs 3.44, 3.46 to 3.54); and by the United States with Brazil, China, Hong Kong, Indonesia, Japan, Korea, Malaysia, Mexico, Pakistan, Romania, Singapore, Sri Lanka and Thailand (paragraphs 3.76, 3.77, 3.80, 3.83 to 3.86, 3.88, 3.89, 3.92, 3.94 to 3.97). On some agreements the TSB's observations were general; these concerned the agreements concluded by the United States with Poland and Romania.

4.77 In reviewing the agreement between the <u>United States</u> and <u>Poland</u> (see paragraph 3.91), the TSB took into account all the elements contained in the agreement, and found that it was consistent with Article 4 of the Arrangement. A similar observation was made with respect to the wool and man-made fibre agreement between the <u>United States</u> and <u>Romania</u> (see paragraph 3.93).

Observations on different elements contained in agreements

4.78 In a number of cases the TSB made observations on one or several of the elements contained in the notifications. As in its report for the major review, the TSB again thought it useful to group its observations under separate headings.

(i) Base levels

(a) Base levels with reference to Annex B

4.79 In reviewing Norway's agreements with Czechoslovakia, Hong Kong, Hungary, Malaysia, Philippines, Poland, Romania, Singapore, Thailand and Yugoslavia, the TSB noted in the agreement with Czechoslovakia (see paragraph 3.57), that the base level for one category was below the level indicated in Annex B; for the other categories under restraint base levels were above, or substantially above, the level indicated in Annex B; agreement with Hong Kong (see paragraph 3.58), the base level for one category was below the reference level utilized by the parties, while base levels for the other categories under restraint were above these reference levels; in the agreements with Hungary, Malaysia, Poland and Romania (see paragraphs 3.59, 3.60, 3.62 and 3.63), base levels were, in all cases, substantially above the level indicated in Annex B though the reference levels were almost nil for two cases in the agreement with Poland; in the agreement with the Philippines, (see paragraph 3.61) the base levels were in one case below the reference level, in one case less than 6 per cent above the reference level and in the other cases more or substantially more than 6 per cent over the reference level; in the agreement with Singapore, (see paragraph 3.64) base levels were, in most cases, less than 6 per cent above the reference levels, and in two cases more than 6 per cent above the reference levels; in the agreement with Thailand, (see paragraph 3.65) base

¹COM.TEX/SB/1004, 1035, 1060, 1067 and 1113

²COM.TEX/SB/1050 and 1060

levels were in two cases equal to the 1982 restraint levels set out in the previous agreement concluded between the parties, in four cases less than 6 per cent above those restraint levels, and in the other cases they were more, or substantially more than 6 per cent above the previous restraint or trade levels; in one case, however, the previous level of trade was very low; in the agreement with Yugoslavia, (see paragraph 3.66) the three base levels were much higher than the reference levels.

- 4.80 The TSB heard a statement from Norway that in setting the base levels in the agreement with the Philippines, account had been taken of the restraint levels in the bilateral agreement between the parties which expired on 31 December 1982; a similar statement was made by Norway with respect to its agreement with Singapore. With respect to the base levels for the restraints in the agreement with Poland, Norway stated that account had been taken of the restraint levels in the former bilateral agreement between the parties, as well as the level of Norwayian imports from Poland of the restrained items in the past few years.
- 4.81 During its review of the agreement between <u>Sweden</u> and <u>India</u> (see paragraph 3.69), the TSB noted that base levels were, in most cases, more than 6 per cent above previous restraint levels (hand-made products from handloom fabrics, for which certification arrangements had not been established between the parties, were made subject to limits in those cases).
- 4.82 During its review of the agreement between the <u>United States</u> and <u>Bangladesh</u> (see paragraph 3.75), which replaced measures taken under Article 3:5, the TSB found that the restraint levels on both categories covered by the agreement were substantially above the roll-back levels. In reviewing a modification of the agreement between the <u>United States</u> and the <u>Dominican Republic</u>, where a new bilaterally agreed restraint replaced a unilateral measure under Article 3:5 (see paragraph 3.78), the TSB noted that the agreed level was much higher than the unilateral limit.
- 4.83 During its review of an amendment of the agreement between the <u>United States</u> and <u>Indonesia</u> in which agreed restraints were introduced on six categories (see paragraph 3.83), the TSB noted the levels agreed for all categories included in this amendment were substantially above the reference levels or previous restraints established by the United States under the consultation provisions of the agreement. A new restraint introduced on a wool category in the agreement between the <u>United States</u> and <u>Hungary</u> (see paragraph 3.81), was substantially above the reference level. A similar observation was made with respect to restraints agreed on two man-made fibre categories in the agreement between the <u>United States</u> and <u>Japan</u> (see paragraph 3.84).

¹COM.TEX/SB/1079 and 1104

²COM.TEX/SB/1104

³COM.TEX/SB/1087

⁴COM.TEX/SB/1035 and 1093

⁵COM.TEX/SB/1067 and 1083

4.84 In reviewing the agreement between the <u>United States</u> and <u>Bangladesh</u> (see paragraph 3.75), the TSB noted that the restraint on Category 340 became effective on 1 March 1985, thus permitting an additional one-time entry of 28,000 dozen outside the quota. During its review of an amendment of the agreement between the <u>United States</u> and <u>Uruguay</u> (see paragraph 3.98), the TSB noted that with respect to Category 435, the entry into force of the restraint was delayed by two months thus allowing a one-time increment in addition to the annual level set out in the agreement.

(b) Base levels and access in bilateral agreements

- 4.85 During its review of the agreement between Sweden and Hong Kong (see paragraph 3.68), the TSB noted that the aggregate and group limits were set at levels throughout the life of the agreement below those in the last year of the previous agreement; it heard presentations from both parties that the special provision for children's wear and the new conversion factor for Group A products provided Hong Kong with the possibility of better access in the new agreement, although the built-in swing in the new agreement was lower. The TSB also noted that the special transfer provision provided for a further reduction in the aggregate through the life of the agreement.
- 4.86 The TSB was of the opinion that the above elements when considered together could not be conclusively said to offer increased access to the exporting country, and observed that any agreement should, when compared to the agreement that had preceded it, offer, on overall terms, improved access for the items under restraint. It, therefore, recommended that the parties use the consultation provisions of the agreement in order to adjust the restraint levels for the last two agreement years (i.e. 1 September 1985 to 31 August 1987) and/or other provisions of the agreement so as to bring it into accord with the Arrangement.

(ii) Growth and flexibility provisions

- (a) Reference to Annex B and paragraph 11 of the 1981 Protocol of Extension
- 4.87 During its review of agreements concluded by Finland with Hong Kong (see paragraph 3.55), by Norway with Czechoslovakia, Hong Kong, Hungary, Malaysia, the Philippines, Poland, Romania, Singapore, Thailand and Yugoslavia (see paragraphs 3.57 to 3.66), and concluded by Sweden with Hong Kong, India, Indonesia, Macao, the Philippines, Singapore and Sri Lanka (see paragraphs 3.68 to 3.74), the TSB heard statements in which reference was made to Annex B of the MFA and paragraph 11 of the 1981 Protocol of Extension with respect to the growth and flexibility provisions in the agreement.

¹COM.TEX/SB/1035 and 1093

²COM.TEX/SB/1093

- 4.88 In reviewing the agreement between Norway and Czechoslovakia, the TSB, while noting that the compounded growth rates were, in most cases, higher than 6 per cent, questioned the absence of swing in the agreement. With respect to the Norway/Hungary agreement, the TSB, while noting that the compounded growth rates were, in most cases higher than 6 per cent, was of the opinion that the maintenance of Norway's minimum viable production seemed not to require the absence of swing in the agreement. In its review of the Norway/Romania agreement, the TSB, while questioning the absence of transfer possibilities between product groupings, noted that the merging of certain categories did provide shift within those merged categories.
- 4.89 After its review of the agreements concluded by Norway with Malaysia, the Philippines, Poland, Singapore and Yugoslavia, the TSB was of the opinion that the maintenance of Norway's minimum viable production did not require the absence of swing in those agreements, while noting that the compounded growth rates were all higher than 6 per cent in the agreement with Malaysia; were higher than 6 per cent in most cases and in some cases substantially higher in the agreement with the Philippines; in all cases substantially higher than 6 per cent in the agreement with Poland; in all but one case lower than 6 per cent in the agreement with Singapore; and higher than 6 per cent for the three restrained categories in the agreement with Yugoslavia. In its review of the Norway/Thailand agreement, the TSB was of the opinion that the maintenance of Norway's minimum viable production did not require the absence of swing.
- 4.90 In reviewing the modifications of the <u>Sweden/Brazil</u> agreement (see paragraph 3.67), the TSB noted that the parties had addressed its earlier observation (COM.TEX/SB/921), by introducing swing in the agreement.
- 4.91 In the agreement of <u>Sweden</u> and <u>India</u> (see paragraph 3.69), the TSB noted that though swing, not available in the previous agreement, was provided for, carryover/carry forward and cumulative flexibility were lower than in the previous agreement. The TSB further noted that although base levels were, in most cases, more than 6 per cent above previous restraint levels, annual growth rates were lower than 6 per cent and than in the previous agreement.
- 4.92 During its review of the agreement between <u>Sweden</u> and <u>Indonesia</u> (see paragraph 3.70), the TSB heard statements from both parties that the agreement provided for flexibility, the precise rates to be agreed upon after consultations. The parties also stated that any flexibility rates agreed upon would be notified to the TSB.

¹COM. TEX/SB/1079

²COM.TEX/SB/1104

³COM.TEX/SB/1087

⁴COM.TEX/SB/1089

4.93 In reviewing the agreement between Sweden and Macao (see paragraph 3.71), the TSB noted that in a majority of cases the growth rates of the present agreement were lower than the compounded growth rates of the previous agreement. In the agreement between Sweden/Philippines (see paragraph 3.72), the TSB noted that annual growth rates were lower than in the previous agreement; and in the Sweden/Singapore agreement (see paragraph 3.73), the TSB noted that, in all cases, the compounded growth rates were lower than growth rates in the previous agreement. With respect to flexibility provisions contained in these three agreements, the TSB noted that while swing, previously non-existent, was now provided, carryover, carry forward and cumulative use of flexibility were lower. With respect to the Sweden/Sri Lanka agreement (see paragraph 3.74), the TSB noted that under the four-year period of the agreement, the growth rates were still low, and that the level of restraint with respect to the "rest group" continued to be low.

(b) Added flexibility possibilities

- 4.94 In the modification to the <u>Canada/Romania</u> agreement (see paragraph 3.39), the TSB noted that the product coverage of two items was re-grouped and the restraint levels modified, (without changing the total of these levels), to provide increased flexibility for products of greater export interest to Romania.
- 4.95 During its review of the agreement between Norway and Romania (see paragraph 3.63), the TSB noted that the merging of certain categories did provide shift within those merged categories.
- 4.96 During its review of the Sweden/India agreement (see paragraph 3.69), the TSB noted that the combined limit on Groups 4 and 5 (underwear, including T-shirts, and sweaters) together with the sub-limits, provided additional flexibility in the export possibilities of the products concerned.

(iii) Share in the market

4.97 During its review of the Norway/Czechoslovakia agreement (see paragraph 3.57), the TSB noted that Czechoslovakia's share in the Norwegian market with respect to certain categories did not appear to cause damage to Norway's minimum viable production. With respect to the Norway/Hungary agreement (see paragraph 3.59), the TSB, while noting that the compounded growth rates were, in most cases, higher than 6 per cent, was of the opinion that the maintenance of Norway's minimum viable production seemed not to

¹COM.TEX/SB/1035, 1072 and 1079

²COM.TEX/SB/1044

³COM.TEX/SB/1079

⁴COM.TEX/SB/1087

require the restraints with respect to a large number of products where Hungary's share in the Norwegian market was nil or very small. Similar observations were made with respect to several restraints on several categories in the agreement with Malaysia (see paragraph 3.60), some categories in the agreement with The Philippines (see paragraph 3.61), three categories in the agreement with Singapore (see paragraph 3.64), and one category in each of the agreements with Thailand (see paragraph 3.65) and Yugoslavia (see paragraph 3.66).

- 4.98 In reviewing the <u>Sweden/Macao</u> agreement (see paragraph 3.71), the TSB noted the very small share of Macao in the Swedish market with respect to two product groups and questioned the appropriateness of invocation of damage to Sweden's minimum viable production in the case of those two product groups. With respect to the <u>Sweden/Philippines</u> agreement (see paragraph 3.72), the TSB noted that the share of Philippine exports to the Swedish market for most products was small and that some of these exports did not appear to cause damage to Sweden's minimum viable production.
- During its review of the Sweden/Singapore agreement (see paragraph 3.73), the TSB recalled its comment made in regard to the previous agreement between the parties (COM.TEX/SB/840), that the low growth rates and the restrictive flexibility provisions did not seem to be fully justified in respect of some product groups, in view of Singapore's share in the Swedish market; the Body expressed its concern that that observation, which the Body "wanted ... to be taken into account by both parties", seemed not to have been borne in mind in the negotiation of the present agreement, as the same product groups were kept under restraint, under conditions even more stringent than previously provided. With respect to the Sweden/Sri Lanka agreement (see paragraph 3.74), the TSB noted that under the four year period of this agreement, the growth rates were still low and that the level of restraint with respect to the "rest group" continued to be low, thereby limiting the access of Sri Lanka to the Swedish market for the products included therein, some of which showed nil or negligible exports from Sri Lanka to Sweden.
- 4.100 During its review of the amendment of the <u>United States/Egypt</u> consultation agreement (see paragraph 3.79), the <u>TSB</u> noted that with respect to at least one category, Egypt's share in the United States market was small, and that exports from Egypt at the time of the request for consultations were not threatening the orderly development of trade between the two countries. With respect to the amendment of the <u>United States/Uruguay</u> agreement (see paragraph 3.98), the TSB noted that exports from Uruguay of Category 410 at the time of the request for consultations were not threatening the orderly development of trade between the two countries, and that the restraint level set was small in relation to the United States market.

¹COM.TEX/SB/1079 and 1104

 $^{^{2}}$ COM.TEX/SB/1035 and 1072

 $^{^{3}}$ COM.TEX/SB/1072 and 1079

⁴COM.TEX/SB/1035

(iv) Article 6 and paragraph 12 of the Protocol of Extension

- 4.101 In reviewing the agreement between Norway and Romania (see paragraph 3.63), the TSB noted that the agreement had been negotiated having regard to both the need to maintain Norway's minimum viable production and the status of Romania as a developing country; after its review, the TSB concluded that while it was evident that the agreement had fully taken account of Norway's need to maintain its minimum viable production, it was not possible to identify how the provisions of the MFA of interest to the exporting country, particularly Article 6, had been taken into account.
- 4.102 After its review of the agreement between <u>Sweden</u> and <u>Macao</u> (see paragraph 3.71), the TSB concluded that while the provisions relating to minimum viable production had been invoked in respect of all product groups, it was not possible to identify how the provisions of the MFA of interest to the exporting country, particularly Article 6, had been taken into account in this agreement.
- 4.103 During its review of the <u>United States/Bangladesh</u> agreement (see paragraph 3.75), the TSB heard a statement from the United States that it considered that the provisions of Article 6 of the Arrangement and paragraph 12 of the Protocol of Extension had been reflected, <u>inter alia</u>, in the substantial increases in base levels and the additional one-time entry of 28,000 dozen of Category 340 outside the quota.

(v) Consultation provisions for the introduction of restraints

4.104 In reviewing the Supplementary Protocol to the <u>EEC/China</u> agreement (see paragraph 3,45), the TSB noted that the basket exit threshold levels had been raised.

4.105 During its review of the agreements concluded by Norway with Malaysia, the Philippines, Thailand and Yugoslavia (see paragraphs 3.60, 3.61, 3.65 and 3.66), the TSB noted that threshold levels had been set for the possibility of consultations with a view to introducing new restraints. The TSB understood that such consultations would only be requested when, in the view of Norway, there was a real risk of market disruption. With respect to the consultation provisions contained in the Norway/Singapore agreement (see paragraph 3.64), the TSB understood that consultations would only be requested when, in the view of Norway, there was a real risk of market disruption.

¹COM.TEX/SB/1079

²COM.TEX/SB/1072

³COM.TEX/SB/1079

⁴COM.TEX/SB/1060

⁵COM.TEX/SB/1104

4.106 During its review of the agreements concluded by <u>Sweden</u> with <u>Macao</u>, <u>Singapore</u> and <u>Sri Lanka</u> (see paragraphs 3.71, 3.73 and 3.74) and the modifications of the <u>Sweden/Brazil</u> agreement (see paragraph 3.67), the TSB noted that in accordance with its observations relating to consultation provisions in several agreements concluded by Sweden (COM.TEX/SB/632, 840, 857 and 921), the consultation provisions had eliminated the right of Sweden to introduce restraints by unilateral decision.

(vi) Provisions in accordance with paragraph 10 of the 1981 Protocol of Extension

4.107 During its review of the Supplementary Protocol to the <u>EEC/China</u> agreement (see paragraph 3.45), the TSB noted that a quota adjustment clause was introduced. The TSB stated that its earlier observations on this provision also applied.

(vii) Circumvention and paragraph 14 of the 1981 Protocol of Extension

4.108 During its review of the Supplementary Protocol to the EEC/China agreement, the TSB noted that a clause related to problems of circumvention was introduced. The TSB stated that its earlier observations on this provision also applied.

(viii) Other observations

(a) Price clauses in agreements

4.109 During its review of the Supplementary Protocol of the EEC/China agreement, the TSB noted that the price clause contained in the original agreement was dropped.

(b) Overshipments

4.110 In the course of its review of a modification of the <u>United States/Korea</u> agreement relating to Category 670-L which had previously been subject to an Article 3:5 action (see paragraph 3.85), the TSB was informed that certain questions pertaining to the implementation of the quota on Category 670-L, such as classification, swing and overshipments, were still under discussion, and that information on these matters would be provided to the Body at a future date. The TSB was later informed that agreement had been reached between the parties.

¹COM.TEX/SB/1072, 1079 and 1087

²COM.TEX/SB/841 and 1060

³COM.TEX/SB/1044 and 1072

(c) Re-imports of textile products after processing

4.111 During its review of the Supplementary Protocol to the EEC/China agreement (see paragraph 3.45), the TSB noted the clause relating to re-imports after processing was modified to bring it into line with similar provisions in other EEC agreements. The TSB stated its earlier observations on this provision also applied.

(d) Handloom products and Article 12:3 of the Arrangement

4.112 In reviewing the Supplementary Protocol to the <u>EEC/China</u> agreement, the TSB noted that the provisions relating to handloom products were modified to bring them into line with similar provisions in other EEC agreements. The TSB stated its earlier observations on this provision also applied.

4.113 In reviewing the <u>Sweden/India</u> agreement (see paragraph 3.69), and with respect to the agreed limits set out in Annex II of the agreement, the TSB noted that the parties had included in those limits hand-made textile products made in the cottage industry of India from handloom fabrics, and 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 were properly certified under arrangements established between the importing and exporting participating countries concerned.

(e) Wool sector

4.114 While reviewing the agreements concluded by the <u>United States</u> with <u>Poland</u> and <u>Romania</u> (see paragraphs 3.91 and 3.92), the <u>TSB</u> bore in mind the comments it had previously made with regard to the situation of the wool sector in the United States.

(f) Other

4.115 During its review of the Supplementary Protocol to the EEC/China agreement (see paragraph 3.45), the TSB noted that a declaration was included on Article 3, paragraph 2, of the agreement concerning the utilization by China of certain limits to the benefit of the EEC textile industry. The TSB had an in-depth discussion of the relationship to the MFA of this provision. Following this discussion, in which several views were expressed, the TSB decided not to pursue the matter at this stage, but may revert to it at a later date.

COM. TEX/SB/1060

²COM.TEX/SB/1087

³COM.TEX/SB/1050 and 1060

- 4.116 With respect to the interpretation of the special provision for children's wear in the <u>Sweden/Hong Kong</u> agreement (see paragraph 3.68), the TSB noted that Sweden would manage the imports in accordance with Hong Kong's interpretation of the provision.
- 4.117 In reviewing the <u>United States/Bangladesh</u> agreement (see paragraph 3.75), the TSB understood that any modifications resulting from a review of the agreement, after the end of the first year, will be notified to it.
- 4.118 During its review of the <u>United States/Peru</u> agreement (see paragraphs 3.90 and 4.76), the <u>TSB</u> noted that the agreement also contained provisions concerning possible adjustment of the category system in case of the adoption by the United States of the Harmonized Commodity Code. These provisions state that the intent of any changes resulting therefrom is "solely to align the current category system and limits with the Harmonized Commodity Code" and "not to diminish or alter overall trade in textiles and apparel with Peru". Consultations under this provision are mandatory.

(ix) Other statements heard during TSB reviews

4.119 During its review of certain restraints introduced under the consultation provisions contained in the bilateral agreements concluded by the United States with Brazil, Hong Kong and India, the TSB heard statements in which Brazil, Hong Kong and India had reserved their rights in bilateral negotiations. With respect to the restraint introduced on Category 604 in the United States/Brazil agreement (see paragraph 3.76), the TSB took note of a statement from Brazil that it reserved its rights under the bilateral agreement with respect to this category, leaving the possibility for it to request further consultations. During its review of two modifications of the United States/Hong Kong agreement (see paragraph 3.80), the TSB noted that the consultation provisions of the agreement had been correctly followed, and heard a statement from Hong Kong that it had reserved its rights in bilateral negotiations with respect to certain categories, leaving the possibility for it to request further consultations. With respect to restraints introduced on some categories by the United States under the consultation provisions of the United States/India agreement (see paragraph 3.82), the TSB noted that the limits were set pursuant to paragraph 16 of the bilateral agreement and heard a statement from India that it had reserved its position in bilateral negotiations and its rights under the MFA.

COM. TEX/SB/1093

²COM.TEX/SB/1067

³COM.TEX/SB/1035, 1037 and 1060

D. Observations on notifications under Articles 7 and/or 8

- 4.120 The TSB made observations regarding certain notifications received under Article 7, in which the parties were participating countries.
- 4.121 In discussing the safeguard measures taken by the <u>EEC</u> on imports from <u>Turkey</u> (see paragraph 3.105), the TSB noted that its earlier observations on similar measures taken previously were applicable in this case: 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, however, called the attention of both parties to the provisions of paragraph 23 of the 1981 Protocol.
- 4.122 With respect to the notification by <u>Switzerland</u> of the extension of the Memorandum of Understanding with <u>Hong Kong</u> (see paragraph 3.107), the TSB recalled its earlier observations with respect to the memorandum of understanding and its previous extensions, noted that the consultation mechanism had not been invoked to date, and reiterated that any actions taken under the provisions of the memorandum should be notified under the appropriate provisions of the MFA.

E. Observations on notifications under Article 11, paragraphs 11, 12 and 2

4.123 In its report for the Major Review in 1984 (COM.TEX/SB/984), the TSB had provided information on the evolution of restrictions since MFA II. The following paragraphs provide information on the changes in the restrictions notified since the Major Review.

(i) Replies received in response to the request made in 1984

- 4.124 During the period covered by this report, the TSB received notifications from five participants in reply to the request made in 1984. These were Brazil, Czechoslovakia, India, Poland and Romania. India also made a notification in reply to the 1985 request (see paragraph 4.128).
- 4.125 Czechoslovakia, Poland and Romania notified that there had been no changes in their régimes since their previous reports. Czechoslovakia maintained no restrictions; Poland continued to maintain quotas of an indicative and non-compulsory character under bilateral agreements with some countries; and Romania continued to maintain its licensing procedures for statistical purposes.
- 4.126 Brazil which consults with the Balance-of-Payments Committee², and had previously notified the suspension of issuance of import licences for all MFA products, notified that since September 1984 the issuance of import licences had been resumed on fibres, yarns and some fabrics.

¹COM.TEX/SB/1035

Brazil will hold its next consultation with the Balance-of-Payments Committee in December 1985

(ii) Replies received in response to the request made in 1985

- 4.127 A number of countries notified that they continued to maintain no restrictions on imports of textiles and clothing: El Salvador, Hong Kong, Japan, Macao, Maldives, Singapore and Switzerland. Uruguay which notified for the first time under MFA III, stated it maintained no restrictions.
- 4.128 Four countries notified liberalization in their restrictions: as of March 1985 Hungary maintained no restrictions; India notified the addition of some man-made fibre yarns and filaments to its list of products allowed entry under its licensing system; Philippines which had notified prohibition on imports under MFA II, notified in its first report under MFA III that yarns and fabrics were under prior authorization, and no restraints were maintained on clothing; Turkey notified that no products were under the prohibition list anymore, and such products were now either subject to prior authorization or liberalized.
- 4.129 One participant (Yugoslavia) notified no change in its import régime.
- 4.130 One participant (Peru) which had previously notified it maintained no restrictions, reported certain restrictions for 1985 for balance-of-payment reasons.
- 4.131 One participant (Haiti) which reported for the first time under MFA III, referred to GATT Article XVIII for its restrictions.
- 4.132 The developed importing participants (except Japan and Switzerland which notified that they maintained no quantitative restrictions) notified, under the relevant articles of the MFA, restrictions maintained by them. In addition, the EEC, Norway and the United States notified, under Article 11, restrictions maintained on certain non-participants.
- 4.133 During its review, the TSB noted that of the forty-three participants no replies had been received to the 1985 request from twenty countries, and recalled the obligations of all participants under Article 11, paragraphs 11 and 12.