

# GENERAL AGREEMENT ON

RESTRICTED

COM.TEX/SB/1314

26 October 1987

## TARIFFS AND TRADE

Special Distribution

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Textiles Surveillance Body

### REPORT OF THE TWELFTH MEETING (1987)<sup>1</sup>

1. The Textiles Surveillance Body held its twelfth meeting of 1987 on 28-29 September.
2. Present at this meeting were the following members and/or alternates: Messrs. Koda, Lau/Choi, Mazzocchi, Randhawa/Abdel Fattah, Rosselli, Säilä/Wright, Salim and Shepherd.
3. The report of the eleventh meeting has been circulated in COM.TEX/SB/1312.

#### Annual Report to the Textiles Committee

4. The TSB continued its work on the annual report to the Textiles Committee.

#### Notification under Article 4

##### United States/Mexico

5. The TSB received a notification from the United States of several modifications of its bilateral agreement with Mexico scheduled to expire on 31 December 1987.
6. These modifications, effective for the 1987 agreement year, were:
  - (a) the removal of the aggregate designated consultation level for Group II;<sup>2</sup>
  - (b) the establishment of designated and minimum consultation levels for all categories falling within Group II; for three categories the new 1987 levels were contingent on the use of US-made fabric for the increased amounts;
  - (c) revision of designated consultation levels with respect to several categories falling within Groups I and III.<sup>2</sup> In some cases the new levels were for 1987 only; in others they would also serve as the basis for a new agreement that might be entered into by the parties;

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<sup>1</sup>Two hundred and seventeenth meeting overall

<sup>2</sup>Group I - Cotton and man-made yarns and other man-made fibre furnishings (Category 666);

Group II - Fabrics, except Category 666, made-ups and miscellaneous non-apparel products;

Group III - Apparel.

- (d) the conversion of a designated consultation level into specific limit, at a higher level, and swing at 5 per cent; and
- (e) revisions providing for additional swing between limits in two merged categories and their sub-limits.

7. During its review the TSB noted that the parties had agreed that the revised structure of the agreement resulting from the modifications listed above in sub-paragraphs 6(a)-6(c), would be the basis for a new agreement should one be entered into and such an agreement should take into consideration Article 6:6 of the Arrangement and paragraph 15 of the 1986 Protocol of Extension.

8. After its review, the TSB agreed to transmit the notification to the Textiles Committee. (COM.TEX/SB/1313)

#### Notifications under Article 11

##### Brazil, Yugoslavia

9. The TSB took note of the notifications received from Brazil and Yugoslavia in reply to the Chairman's letter requesting information, pursuant to Article 11 of the Arrangement, on restrictions maintained by participating countries on imports of textile products.<sup>1</sup> These notifications will be submitted to the Textiles Committee at the time of the submission of the TSB's annual report.

#### Notification under Article 2:4

##### China

10. The TSB began its review of a notification received from China on the status of restrictions maintained by it, and on the evolution of its textile industry. This report was made by China as a non-contracting party under Article 2:4.

#### General observation relating to Article 6, paragraph 6, of the Arrangement and paragraph 15 of the 1986 Protocol of Extension

11. The TSB discussed the existence, in several of the agreements notified to and reviewed by it, of quotas or of guaranteed access levels for outward processing traffic (OPT).

12. The TSB observed that the "special differential and more favourable treatment" mentioned in paragraph 15 of the 1986 Protocol of Extension could be provided under diverse formulations. It was of the opinion that this meant that in the case of MFA bilateral agreements which include any such formulations, effective increase in access for the product(s) concerned should be provided; in other words, the Body understood that the formulation should not, in principle, have the intent of providing for such access at the expense of quotas for non-OPT trade.

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<sup>1</sup>See COM.TEX/SB/1265

13. The TSB, however, understanding that the diverse formulations possible and the different solutions found under them required a flexible approach to the problem, decided that it would review the application of those formulations on a case-by-case basis, bearing in mind: (a) paragraph 12 above, and (b) the effect which such a formulation would have on the basic objectives of the Arrangement as extended, particularly that of ensuring the orderly and equitable development of trade.

General discussion

14. The TSB continued its general discussion on paragraph 24 of the 1986 Protocol of Extension.

Report on bilateral consultations relating to measure taken under Article 3:5

United States/Bangladesh

15. The TSB received a report that, following bilateral consultations, the United States and Bangladesh had found an agreed solution with respect to Category 338/339 and that this would be notified to the Body in due course. At its meeting of 15-17 September 1987, the TSB had agreed to defer its examination of the measure taken by the United States under Article<sup>1</sup> 3:5 in order to enable the parties to hold another round of consultations.

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<sup>1</sup> COM.TEX/SB/1312