

Textiles Surveillance Body

REPORT OF THE SEVENTH MEETING (1988)<sup>1</sup>

1. The Textiles Surveillance Body held its seventh meeting of 1988 on 20-21 April.
2. Present at this meeting were the following members and/or alternates: Messrs. Choi/Lau, Gero/Hildan, Koda, Mazzocchi and Shepherd.
3. The report of the sixth meeting has been circulated in COM.TEX/SB/1386.

Notifications under Article 4

United States/Costa Rica

4. The TSB received a notification from the United States of a bilateral agreement concluded with Costa Rica for the period 1 June 1987 to 31 December 1988.
5. In this agreement:
  - (a) product coverage was limited to shirts (Category 340/640);
  - (b) the specific limit for the first restraint period (1 June-31 December 1987) was much higher than the relevant reference level;
  - (c) the parties agreed to a specific limit at a lower level plus a guaranteed access level for the second restraint period;
  - (d) carryover/carry forward for the specific limit were set at 11/6 per cent with no carryover in the first agreement period and no carry forward in the second agreement period.
6. During its review the TSB had in mind that the agreement had been concluded before Costa Rica became a participant in the Arrangement. It also had in mind its general observation relating to products falling within Article 6:6 and paragraph 15 of the 1986 Protocol.<sup>2</sup>
7. With respect to the arrangement for the two restraint periods, outlined in paragraphs 5(b) and (c) above, the TSB was informed by the United States that all imports were subject to the specific limit in the first restraint period, while in the second, imports of shirts from United States' fabrics cut in the United States were subject to the guaranteed access level, and therefore the coverage falling under the specific limit had been reduced.

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<sup>1</sup>Two hundred and twenty-eighth meeting overall

<sup>2</sup>See COM.TEX/SB/1314, paragraphs 11-13

With regard to its general observation referred to in paragraph 6 above, the TSB was informed that exports from Costa Rica of products falling under the guaranteed access level already existed when the agreement was negotiated. However, since for technical reasons the parties were unable to provide for separate administration of both a guaranteed access level and a specific limit in the first restraint period, they had agreed to cover both types of trade under a specific limit during that period only.

8. After its review, the TSB agreed to transmit this notification to the Textiles Committee. (COM.TEX/SB/1387)

Sweden/Korea

9. The TSB received a notification from Sweden of a four-month extension of its agreement with Korea. The extension for the period 1 March 1987 to 30 June 1987 replaced the provisional extension of the agreement notified earlier. The TSB also received a notification from Sweden of a bilateral agreement concluded with Korea for the period 1 July 1987 to 29 February 1992.

10. In the extension under review:

- (a) the aggregate limit on twelve categories was liberalized;
- (b) adjustments were made in the product coverage of certain categories due to the introduction of the Harmonized System;
- (c) the four-month limits were increased by 0.2 per cent;
- (d) all other provisions, including the flexibility provisions, applied.

11. Under the agreement:

- (a) restraints on five categories and three part categories were liberalized; a further part category would be restrained only for the first three agreement periods;
- (b) increases in base levels over previous restraints ranged between 1 and 3 per cent;
- (c) growth rates for the second year ranging between 1.25 and 3 per cent were in all cases higher than the growth rates in the previous agreement; for subsequent years these growth rates would increase either by 0.25 per cent or 0.5 per cent per year, but would in no case reach more than 4 per cent;
- (d) swing, previously incorporated in the restraint levels, was now explicitly available at 3 per cent in seven cases and at 5 per cent for the other categories, and was therefore more favourable to Korea than in the previous agreement;

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<sup>1</sup>See COM.TEX/SB/1272

- (e) carryover and carry forward were set at 3 and 3 per cent in seven cases and at 5 and 5 per cent in the other cases; the cumulative use of flexibility was available at 6 per cent in seven cases and at 10 per cent in the other cases; the flexibility provisions were in all cases more favourable to Korea;
- (f) babies' woven garments were excluded from the agreement.

12. With reference to the growth and flexibility provisions in both the extension and the new agreement, Sweden made reference to Article 1:2 and Annex B of the Arrangement, as well as to paragraph 12 of the 1986 Protocol of Extension.

13. In reviewing the extension and the agreement, the TSB bore in mind its observations and recommendation made during the review of the previous agreement;<sup>1</sup> the Body noted there had been improvements in all elements, including the removal of the aggregate limit and the liberalization of several categories, and concluded that its recommendation had been taken into account by both parties.

14. After its review, the TSB agreed to transmit the notifications to the Textiles Committee. (COM.TEX/SB/1388 and COM.TEX/SB/1389)

#### Canada/China

15. The TSB received a notification from Canada of a bilateral agreement with China embodied in two Memorandums of Understanding and valid for the period 1 January 1987 to 31 December 1991.

16. In this agreement:

- (a) product coverage was expanded by adding certain fabric categories and including products of silk blends and blends of vegetable fibres other than cotton in two categories;
- (b) one previous restraint was removed and new restraints were agreed on three categories;
- (c) increases in base levels over previous restraint or reference levels ranged between lower than 6 per cent and substantially higher than 6 per cent, except in one case where there was a reduction;
- (d) growth rates set between 3 and 6 per cent remained unchanged from the previous agreement, except in one case where it was reduced from 6 to 5 per cent;
- (e) swing was set at 5 and 7 per cent with 10 per cent for two categories; there was no provision for swing between the two memorandums of understanding;
- (f) carryover/carry forward for categories covered in the first memorandum were available at 8/5 per cent for one category and at either 10/5 or 11/5 per cent for the rest; for the two categories in the second memorandum, carryover and carry forward were each available, at 10 per cent, with their combined use not to exceed 10 per cent;

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<sup>1</sup>COM.TEX/SB/1164

- (g) the cumulative use of flexibility in the first memorandum was set at 10 per cent for three categories, 11 per cent for five categories and 12 per cent for the others; in the second memorandum it was 11 per cent;
- (h) the flexibility provisions were more favourable to China as some categories had no swing and/or carryover/carry forward available in the previous agreement;
- (i) additional access continued to be available for children's and infants' garments, as five such garments would be counted as three quota units.

17. The TSB heard a statement from Canada that the reduction in the base level referred to in paragraph 16(c) had been agreed in return for an increase in another category of export interest to China.

18. In reviewing this agreement, the TSB noted that in the two cases where restraints included new fibres there had been previous imports from China of products of these fibres.

19. With respect to the growth and flexibility provisions in the agreement, the TSB heard a statement from Canada that these had been agreed pursuant to paragraph 10 of the 1986 Protocol.

20. After its review, the TSB agreed to transmit this notification to the Textiles Committee. (COM.TEX/SB/1390)

General discussion

21. The TSB continued to exchange views on the matter of overshipments.