

GENERAL AGREEMENT ON

RESTRICTED

COM.TEX/SB/1421
14 November 1988

TARIFFS AND TRADE

Special Distribution

Textiles Surveillance Body

REPORT OF THE ELEVENTH MEETING (1988)¹

1. The Textiles Surveillance Body held its eleventh meeting of 1988 on 21-23 September.
2. Present at this meeting were the following members and/or alternates: Messrs. Abdel Fattah, Choi/Lau, Gero, Koda, Mazzocchi, Salim and Shepherd.
3. The report of the tenth meeting has been circulated in COM.TEX/SB/1418.

Notification under Article 2:1

Dominican Republic

4. The TSB received a notification from the Dominican Republic under Article 2:1 of the Arrangement on restrictions maintained by it on imports of textile products.
5. In reviewing this notification the TSB noted that: (a) the Dominican Republic joined MFA II in March 1979, participated in MFA III since February 1984 and in MFA IV as of 23 February 1988; (b) this notification was the first received from the Dominican Republic under the provisions of Article 2:1; (c) imports of certain textile items have been suspended since April 1979.
6. In view of the fact that the Dominican Republic is a Contracting Party to the GATT and that its restrictions on imports of textile products have not been notified to the GATT under the relevant provisions of the General Agreement, the TSB drew the attention of the Dominican Republic to the requirements of Article 2, paragraphs 2 and 3, of the MFA, and requested the Dominican Republic to report on this matter at the earliest possible date and in any event not later than 23 February 1989.
7. After its review, the TSB agreed to transmit the notification to the Textiles Committee. (COM.TEX/SB/1419)

¹Two hundred and thirty-second meeting overall

Reports on measures taken under Article 3:5

Canada/Brazil

8. In accordance with its recommendation,¹ the TSB received reports from Brazil and Canada on their consultations related to the unilateral measures taken by Canada under Article 3:5.

9. Both parties reported on unsuccessful bilateral consultations, and Brazil requested the TSB to re-examine the case. However, before the TSB addressed the matter, the parties reported that they had concluded a bilateral agreement concerning the products subject to the measures; consequently, Brazil withdrew its request to the TSB. This agreement shall be notified in due course.

Notification under Articles 7 and 8

Norway/German Democratic Republic

10. Norway included in its notification made under Article 11 the text of a pro memoria regarding restrictions on imports from the German Democratic Republic for the period 1 January to 31 December 1988.

11. The TSB decided to transmit the pro memoria to participating countries under Articles 7 and 8. (COM.TEX/SB/1420)

Notifications under Article 11

Czechoslovakia, Romania

12. Having received some clarifications from both Czechoslovakia and Romania on their notifications made under Article 11 in response to the request made by the TSB in 1987,² the TSB agreed to forward these notifications to the Textiles Committee. The information contained therein shall be included in the TSB's annual report. (COM.TEX/SB/1315/Add.25 and 26)

EEC, Finland, Japan, Macao, Mexico, Norway, Sweden, United States

13. The TSB took note of the notifications received from the EEC, Finland, Japan, Macao, Mexico, Norway, Sweden and the United States in reply to the Chairman's letter requesting information, pursuant to Article 11 of the Arrangement, on restrictions³ maintained by participating countries on imports of textile products. These notifications will be forwarded to the Textiles Committee at the time of submission of the TSB's annual report.

General observation on overshipments

14. Having recently reviewed notifications which featured solutions for significant overshipments, the TSB held a general discussion on the subject of overshipments.

¹ See COM.TEX/SB/1407; see also COM.TEX/SB/1418

² COM.TEX/SB/1299, 1359, 1377 and 1418

³ COM.TEX/SB/1377

15. It was noted that overshipments might arise under different circumstances and for diverse reasons - for example, categorization or classification differences; fraudulent licences; inefficient operation of a textile licensing system; mis-entry or miscalculation of imports; and shipments which were above a restraint level and which were not a subject of dispute between the exporting and importing country.

16. The discussion highlighted the adverse effects of overshipments on both parties, possibly on other participants as well as their financial implications for traders. The TSB noted the need for the proper implementation of the Arrangement, and urged participants to cooperate and take the necessary steps to ensure that overshipments would not occur.

17. Therefore, the TSB reminded interested parties that it is open for them to bring to the attention of the Body specific cases of significant overshipments for its information under Article 11:2 or seek its review of such cases under Article 11:5.

Report relating to the examination of the consistency of aggregate and group limits with the provisions of the MFA

18. The Textiles Committee, at its meeting held on 4 December 1987, had requested the TSB to examine the consistency of aggregate and group limits with the provisions of the MFA and to report back on this matter.

19. The TSB adopted the report to be found as an Annex to this report.

Annual Report

20. The TSB began its work on the Body's annual report to the Textiles Committee.

ANNEX

Report relating to the examination of the consistency of aggregate and group limits with the provisions of the MFA

1. In accordance with the decision taken by the Textiles Committee during its meeting on 4 December 1987 (COM.TEX/55, paragraph 25) for the TSB to examine the consistency of aggregate and group limits with the provisions of the Multifibre Arrangement and to report thereon to the Committee, the TSB presents the following report.

2. The TSB recalls that participating countries "may, consistently with the basic objectives and principles of this Arrangement, conclude bilateral agreements on mutually acceptable terms in order, on the one hand, to eliminate real risks of market disruption (as defined in Annex A) in importing countries and disruption to the textile trade of exporting countries, and on the other hand to ensure the expansion and orderly development of trade in textiles and the equitable treatment of participating countries". The TSB understands "mutually acceptable terms" to mean that the terms must be consistent with the basic objectives and principles of the Arrangement.

3. The Body notes that aggregate and group limits have usually been justified by the notifying country as ensuring the orderly development of trade. The TSB is of the opinion that an aggregate or group limit is inconsistent with the provisions of the Arrangement if it does not ensure the expansion and orderly development of trade in the products covered by such a limit, or if it leads to a situation of disruption of the export trade of such products in the exporting country. The TSB concludes that the consistency or not of such a limit with the provisions of the MFA can be assessed only on a case-by-case basis.

4. In view of the preceding, the TSB is of the view that the Textiles Committee should urge participating countries to ensure that such limits do not run counter to the terms of Article 4:2.