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TARIFFS AND TRADE

Textiles Surveillance Body

REPORT OF THE TEXTILES SURVEILLANCE BODY
TO THE TEXTILES COMMITTEE

1988

Attached is a report by the Textiles Surveillance Body on its activities during the period 1 October 1987 to 23 September 1988.

This report is submitted to the Textiles Committee pursuant to the requirements of Article 10, paragraph 4 and Article 11, paragraph 12 of the Arrangement.

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Introductory Remarks

1. Under Article 10:4 of the Arrangement, the Textiles Surveillance Body is required to submit a report to the Textiles Committee in order to assist it in its annual review of the operation of the Arrangement. This report also fulfils the requirements of Article 11:12 of the MFA.
2. This is the second report by the Textiles Surveillance Body under the Arrangement as extended by the 1986 Protocol. The first report, circulated in COM.TEX/SB/1316, covered the period 1 August 1986 to 30 September 1987. The present report covers the period 1 October 1987 to 23 September 1988.
3. Chapter 1 of this report gives the status of acceptances of the 1986 Protocol on 23 September 1988. The membership of the TSB and the overall nature of its activities during the period covered by this report is contained in Chapter 2.
4. Chapter 3 outlines the notifications received by the TSB: (a) under Article 2; (b) unilateral measures under Article 3, extension of measures under paragraph 8 of the 1986 Protocol or matters referred under Article 11, paragraph 4 or 5; (c) bilateral agreements or modifications thereof notified under Article 4; (d) notifications received or transmitted under Articles 7 and/or 8; (e) summary of reports received under Article 11.
5. Chapter 4 contains the recommendations and observations made by the TSB after its review of the notifications outlined in the previous chapter.
6. Chapter 5 is devoted to an appreciation of the application of the MFA during the first two years of the Arrangement as extended by the 1986 Protocol.
7. An addendum to the report sums up the restrictions reviewed by the TSB in tabular form.

Chapter 1: The status of acceptances of the Arrangement as extended by the 1986 Protocol

By 23 September 1988 the Arrangement as extended by the 1986 Protocol had been accepted by the following thirty-nine participants: Argentina, Austria, Bangladesh, Brazil, Canada, China, Colombia, Costa Rica, Czechoslovakia, Dominican Republic, EEC, Egypt, Finland, Guatemala, Hong Kong, Hungary, India, Indonesia, Jamaica, Japan, Korea, Macao, Malaysia, Mexico, Norway, Pakistan, Peru, Philippines, Poland, Romania, Singapore, Sri Lanka, Sweden, Switzerland, Thailand, Turkey, United States, Uruguay and Yugoslavia.

Chapter 2: Membership and overall activities of the TSB

2.1 The membership and rôle of the TSB are outlined in Article 11, paragraph 1, of the Arrangement.

2.2 In the conclusions of the Textiles Committee adopted on 31 July 1986,

- The participants re-affirmed the importance of the effective functioning of the Textiles Committee, the Sub-Committee on Adjustment and the Textiles Surveillance Body, in their respective areas of competence. In this context, the participants emphasized the importance of the responsibilities of the Textiles Surveillance Body as set forth in Article 11 of the MFA;
- The participants also re-affirmed that the rôle of the Textiles Surveillance Body is to exercise its functions as set out in Article 11 so as to help ensure the effective and equitable operation of the Arrangement and to further its objectives. In this respect, the Committee recognized the need for close co-operation among participants for the effective discharge of the Textiles Surveillance Body's responsibilities;
- Participants agreed that in considering problems arising from the application of bilateral agreements or measures taken under the Arrangement and with a view to discharging its function with respect to the review of such action, the Textiles Surveillance Body may address problems of interpretation of the relevant provisions of the Arrangement.

2.3 In the context of this report, the TSB finds it useful to recall that as a standing body, and given its responsibilities under Article 11 of the Arrangement and paragraphs 20 to 22 of the 1986 Protocol of Extension, it is important for all members to participate fully in the meetings. The TSB emphasizes once again the need for governments, when nominating members, to take full account of the workload of the Body and of the heavy work involved in the Uruguay Round.

A. Membership of the TSB

2.4 The TSB continued to work under the Chairmanship of Ambassador Marcelo Raffaelli.

2.5 The members designated ad personam shared with the Chairman the responsibility of carrying out the TSB's functions as set out in the Arrangement. Members designated alternates who served as full members in the event of the unavoidable absence of the nominated members.

2.6 The membership of the TSB for the period covered by this report is given below:

1 October to 31 December 1987

<u>Member</u>	<u>Alternate</u>
Mr. Piergiorgio Mazzocchi (EEC)	Mr. Gérard Boisnon (EEC)
Mr. Pekka Säilä (Finland)	Mr. Robert G. Wright (Canada)
Mr. James Lau (Hong Kong)	Mr. Hyuck Choi (Korea)
Mr. Parampreet S. Randhawa (India)	Mr. Maamoun Abdel Fattah (Egypt)
Mr. Darry Salim (Indonesia)	Mrs. Apiradi Tantraporn (Thailand)
Mr. Tadatsuna Koda (Japan)	Mr. Kiyotaka Akasaka (Japan)
Mr. Robert E. Shepherd (United States)	-
Mr. Elbio Rosselli (Uruguay)	Mr. Hugo Portugal (Peru)

1 January to 23 September 1988

<u>Member</u>	<u>Alternate</u>
Mr. John Gero (Canada)	Mr. Tor C. Hildan (Norway)
Mr. Piergiorgio Mazzocchi (EEC)	Mr. Gérard Boisnon (EEC)
Mr. Maamoun Abdel Fattah (Egypt)	Mr. Munir Ahmad (Pakistan)
Mr. Darry Salim (Indonesia)	Mr. A. Pharmy (Malaysia)
Mr. Tadatsuna Koda (Japan)	Mr. Takeshi Nakane (Japan)
Mr. Hyuck Choi (Korea)	Mr. James Lau (Hong Kong)
Mr. Alejandro de la Pena (Mexico)	Mr. Hugo Portugal (Peru)
Mr. Robert E. Shepherd (United States)	-

B. Activities of the TSB

2.7 During the period covered by this report the TSB held fifteen meetings. Its overall activities are listed below:

(i) Review of notifications

2.8 The major activity of the TSB has been the review of notifications made under Article 4:4 of bilateral agreements or modifications thereof. The TSB has continued to use its procedures contained in COM.TEX/SB/35. It has reviewed the status of restrictions notified under Article 2, paragraphs 1 and 4, as well as the annual reports made by participants under Article 11 in order to fulfil the requirements of Article 11, paragraphs 11 and 12. After its review, the TSB has circulated the notifications in the COM.TEX/SB/- series of documents.

(ii) Dispute settlement

2.9 The TSB has also received notifications of unilateral measures taken under Articles 3:5, extension of measures under paragraph 8 of the 1986 Protocol or matters referred under Article 11, paragraph 4 or 5.

2.10 In all cases of dispute, before formulating its recommendations, the TSB, as required by Article 11, paragraph 6, has invited the participating countries directly affected by the matter to present their respective cases, and respond to any questions put to them by members of the TSB.

2.11 In cases involving disputes between countries which have members on the TSB and others which have not, the TSB continued to apply its procedures¹ for such cases, to wit: the party not having a member on the TSB would be invited to designate a person who, after the presentation of the case by the two delegations and the questioning phase, could participate in the remaining phase of the discussion, up to, and including, the drafting of the recommendations. It is understood, however, that consensus within the Body on the form and content of such recommendations does not require the assent or concurrence either of the concerned TSB member or of the person designated by the other party.

(iii) General observation relating to paragraph 24 of the 1986 Protocol of Extension

2.12 The TSB considered the provisions of paragraph 24 of the 1986 Protocol of Extension. It noted that these provisions had been invoked in the agreements notified to it in different ways.

2.13 The TSB considered the following elements: (a) product coverage under the Arrangement, and (b) the introduction of restraints on products falling within the paragraph.

2.14 The TSB was of the opinion that, while this paragraph had not amended Article 12 of the MFA, it had extended, under certain conditions, the product coverage of the Arrangement for the duration of the 1986 Protocol.

2.15 The TSB noted that specific restraints had been introduced on products made of fibres specified in paragraph 24 which were merged with products made of fibres specified in Article 12 when there had been no imports or imminent increase of imports (as defined in Annex A) of products made of fibres specified in paragraph 24, and observed that such specific restraints were not envisaged under that paragraph.

2.16 The TSB understood that specific restraints on products made of fibres specified in paragraph 24 should be introduced only if it was demonstrated that imports of such products were directly competitive with products made of fibres specified in Article 12 and were causing or aggravating market disruption or real risk thereof in the importing country.

2.17 The TSB requested all participating countries to take this observation into account. (COM.TEX/SB/1328)

(iv) General observation on overshipments

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

¹The guidelines for such procedures, first set down in COM.TEX/SB/30, Annex I, were revised in May 1978 and are contained in COM.TEX/SB/319, Annex 1.

2.19 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.

2.20 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.

2.21 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. (COM.TEX/SB/1421)

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

2.22 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.

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

(vi) General presentation on Swedish bilateral agreements

2.24 On the initiative of the Swedish Government, the TSB heard a presentation on bilateral agreements concluded by Sweden under the MFA as extended by the 1986 Protocol. (COM.TEX/SB/1369)

(vii) Reports of the TSB

2.25 The questions discussed in the TSB, together with its conclusions or recommendations, are reported regularly to the Textiles Committee in the COM.TEX/SB/- series of documents.

Chapter 3: Notifications reviewed by the TSB

3.1 Notifications received and reviewed by the TSB during the period covered by this report have been summarized below. Observations or recommendations of the TSB on these notifications are to be found in Chapter 4.

A. Notifications under Article 2**(i) Article 2:1**

3.2 Costa Rica, which acceded to the Arrangement on 14 March 1988 reported that it maintains no quantitative restrictions or any other quantitative measures which have a restrictive effect on imports of textile products.

3.3 The Dominican Republic, which participated during the first and second extensions of the Arrangement and accepted the 1986 Protocol of Extension on 23 February 1988, reported under Article 2:1 on the status of restrictions maintained by it. Under two decrees dated April 1979, imports of certain clothing items are prohibited. The decrees have made reference to the need for the development of the domestic industry, as well as the need to preserve foreign exchange reserves for imports essential for the economic development of the country.

(ii) Article 2:4

3.4 The TSB received in 1987 a notification from China updating its notification of 1985 on the status of restrictions maintained by it on textile products covered by the MFA. The notification provided information relating to the importance of textiles and clothing in China's economy. It stated that imports of man-made fibres, of man-made fibre fabrics, and of wool hair, tops and yarn, were subject to import licensing. It further stated that balance-of-payments considerations were the main reason for the maintenance of the import licensing system, but that in the case of man-made fibres and man-made fibre fabrics, "infant industry" protection was also a reason, albeit a secondary one. No updated information had been received by the closing date of this report.

B. Notifications under Article 3:5, Article 3:8 and paragraph 8 of the 1986 Protocol and matters referred under Article 11:5**Canada/Brazil**

3.5 In June 1988, the TSB received a notification from Canada of unilateral measures taken under Article 3:5 on imports of bedsheets, pillowcases and cotton terry towels, washcloths and sets from Brazil for the twelve-month period 5 January 1988 to 4 January 1989. The TSB reviewed the case and made appropriate recommendations. In July, Canada reported the rescission of the restraint on cotton terry towels, washcloths and sets. In September 1988, the parties negotiated a solution to the problem, which shall be notified in due course. (For full details of the TSB conclusions and recommendations and reports from parties, see Chapter 4, paragraphs 4.6 to 4.9).

United States/China

3.6 The TSB had agreed to review in October 1987 a measure notified by the United States under Article 3:8 and paragraph 8 of the 1986 Protocol on imports of silk blend and other vegetable fibre sweaters (Category 845/846) from China (COM.TEX/SB/1316, paragraph 5.121). The TSB agreed to defer its review of the case at the request of both parties, in view of the forthcoming bilateral consultations. In December 1987, the parties informed the TSB that consultations were continuing in the context of the negotiation of a new bilateral agreement, and requested a further deferral of the review of the action. In agreeing to this request, the TSB asked the parties to report on the results of the consultations in time for its first meeting in January 1988. In January 1988, the TSB was informed that the matter had been solved in the context of the new bilateral agreement concluded for the period 1 January 1988 to 31 December 1991. (COM.TEX/SB/1325, 1345 and 1359)

United States/Turkey

3.7 In December 1987 the TSB received a notification from the United States of a unilateral measure taken under Article 3:5 on imports of cotton and man-made fibre skirts from Turkey for the period 27 May 1987 to 26 May 1988. It also received a communication from Turkey under Article 11:5 on this measure.

3.8 Having recommended that the parties resume consultations, in January 1988 the TSB received reports from both Turkey and the United States that consultations had taken place but that no agreed solution had been found.

3.9 In February 1988 the TSB reverted to the matter at the request of Turkey. After hearing the reports from the parties, the TSB concluded that its recommendation of 9 December 1987 had not been correctly interpreted, and therefore recommended that once again the parties resume their consultations.

3.10 In May 1988, the United States informed the TSB that in the absence of agreement between the parties on the extension of the restraint under Article 3:8, the United States intended to invoke paragraph 8 of the 1986 Protocol and extend the restraint for a further twelve-month period beginning 27 May 1988. The parties requested the TSB to defer its review of the action in June in view of the forthcoming bilateral consultations. The TSB agreed to the request and asked for reports on the results of the consultations before the meeting scheduled for 13-15 July. In July, the parties reported that an agreed solution had been found. (For full details of the recommendations, see Chapter 4, paragraphs 4.10 to 4.20.)

C. Notifications under Article 4

3.11 The TSB received and reviewed sixty-nine notifications under Article 4 of thirty-four bilateral agreements and thirty-five extensions and/or modifications of agreements. These concerned the following participants:

Austria:	Hong Kong
Canada:	Bangladesh, Brazil, China, Hong Kong, Hungary, India, Indonesia, Korea, Macao, Malaysia, Philippines, Poland, Singapore, Sri Lanka, Thailand, Turkey
EEC:	China, Hong Kong, Hungary, India, Indonesia, Korea, Macao, Pakistan, Peru, Philippines, Poland, Sri Lanka, Thailand
Finland:	Hong Kong, Macao
Norway:	Czechoslovakia, Hong Kong, Hungary, India, Poland
Sweden:	Korea, Yugoslavia
United States:	Bangladesh, Brazil, China, Costa Rica, Egypt, Hungary, Indonesia, Jamaica, Malaysia, Mexico, Pakistan, Romania, Sri Lanka, Thailand, Turkey, Uruguay

3.12 For greater clarity, the notifications have been summarized below under the following headings: (i) validity, product coverage, products under restraint; (ii) changes in base levels; (iii) annual growth rates; (iv) flexibility provisions; (v) additional access; (vi) revised categorization.

(i) Validity, product coverage, products under restraint

3.13 Product coverage (i.e. products under restraint plus those not under restraint but subject to the consultation provisions of the bilateral agreement) and products under restraint in agreements concluded under Article 4 have varied. Broadly, they fall under one of the following descriptions: (a) one to a few product categories, all under restraint; (b) several product categories, with some subject to restraint and others subject to consultation procedures; (c) all products falling within the definition of Article 12, with some under restraint and others subject to consultations; (d) products falling within Article 12, together with some which fall within the definition of paragraph 24 of the 1986 Protocol, with some under restraint and others subject to consultations.

3.14 The paragraphs which follow give only changes in product coverage and in products under restraint in each agreement as compared to the previous agreement between the parties, or compared to the original agreements in the case of amendments.

Canada

3.15 Notifications from Canada consisted of the extension of one agreement (Brazil) and of bilateral agreements (Bangladesh, China, Hong Kong, Hungary, India, Indonesia, Korea, Macao, Malaysia, the Philippines, Poland, Singapore, Sri Lanka, Thailand, Turkey).

3.16 The extension of the agreement with Brazil was for the period 1 January to 31 December 1987. All bilateral agreements were concluded for the period 1 January 1987 to 31 December 1991, except that with Turkey, which expires on 31 December 1990.

3.17 Product coverage remained unchanged (Brazil, Hungary, India, Poland, Sri Lanka), certain household products were excluded (Hong Kong, Poland), certain cotton and man-made fibre yarns and fabrics were excluded (Hong Kong). Product coverage in two agreements including only the products under restraint was increased (Bangladesh by two categories; Turkey by four categories). In certain agreements (Malaysia, Philippines, Poland, Singapore, Thailand) coverage was increased to include yarns, fabrics and made-up items; in one case some clothing categories were added (Poland) and in another two fabric categories (China).

3.18 Products of silk blends and blends of vegetable fibres other than cotton were added to the coverage in certain agreements (China - two categories, Hong Kong - ten categories, Indonesia - all categories, Korea - four categories, Macao - seven categories).

3.19 Group limits were maintained (Macao, India - one) and a group limit liberalized (India).

3.20 Certain restraints were liberalized (Brazil - one, China - one, Hong Kong - two sub-limits, India - two, Korea - two categories and three part-categories, Philippines - one category, Poland - one category). In several agreements, new restraints were introduced (Bangladesh - two, Brazil - two, China - three, Hong Kong - three, India - one, Philippines - one, Sri Lanka - three, Thailand - three, Turkey - four). In one case (India) handloom products corresponding to one category were included in the restraint level.

EEC

3.21 Notifications from the EEC consisted of bilateral agreements in de facto application for the period 1 January 1987 to 31 December 1991 (Hong Kong, Hungary, India, Macao, Pakistan, Peru, Sri Lanka) and of modifications of certain agreements (China, India, Indonesia, Korea, Pakistan, Philippines, Poland, Thailand).

3.22 Product coverage in all cases remained unchanged.

3.23 In each agreement, a certain number of restraints were liberalized (Hong Kong - six Community and three regional restraints, with another Community restraint liberalized in all regions except one; Hungary - six Community and three regional restraints; India - three Community and all regional restraints; Macao - two Community and one regional restraints; Pakistan - six regional restraints; Peru - one Community and two regional restraints; Sri Lanka - two regional restraints).

3.24 The modifications of agreements concerned the introduction of restraints. They were made effective from different dates, but were in all cases valid for the agreement life, i.e. until 31 December 1991 (except China, where the agreement expires on 31 December 1988). The new restraints have been listed below, with the effective date for each restraint given in

parenthesis: China - one category into Spain and one into the United Kingdom (25 September 1987), three other categories into France (1 January 1988); India - one category into the Community (18 November 1987); Indonesia - one category into the Community subsuming the regional restraint in the United Kingdom (1 January 1987, applied pro rata for 1987 from different dates in different regions of the Community); Korea - one category into Spain (1 January 1987) and Italy (1 July 1987), another category into France (1 January 1987) and Italy (1 January 1988); Pakistan - one category into the Community (5 March 1987) subsuming previous regional restraints (France, Italy); one category into France and Italy (23 June 1987), another category into France, Ireland and Spain (9 October 1987) and a further category into Benelux and France (1 January 1988); Philippines - one category into France (23 June 1987); Poland - one category into France (1 January 1987); Thailand - one category into France (1 January 1987).

Finland

3.25 Finland notified amendments of its agreements with Hong Kong and Macao.

3.26 Three of the four categories under restraint in the agreement with Hong Kong were adapted to the Harmonized System with effect from 1 January 1988.

3.27 Product coverage for the period 1 January 1988 to 31 December 1991 was increased in the agreement with Macao by the addition of several clothing categories and extension of fibre coverage (cotton) to one category. Four new restraints were agreed.

Norway

3.28 Notifications from Norway contained bilateral agreements (Czechoslovakia, Hong Kong, Hungary, India, Poland).

3.29 Product coverage was decreased in all agreements by between seven and ten categories. In each agreement a certain number of restraints were liberalized (Czechoslovakia - five categories and one part-category, Hong Kong - four categories, Hungary - three categories, India - two categories, Poland - two categories).

Sweden

3.30 Notifications from Sweden concerned extensions of agreements (Korea, Yugoslavia) and agreements (Korea, Yugoslavia).

3.31 In the extensions (Korea - 1 March to 30 June 1987; Yugoslavia - 1 January to 30 June 1987) adjustments to the categorization were made to take account of the Harmonized System, and the aggregate limits were liberalized.

3.32 The agreement with Korea was concluded for the period 1 July 1987 to 29 February 1992, and that with Yugoslavia for the period 1 July 1987 to 31 December 1991.

3.33 Product coverage in both agreements was reduced by the exclusion of babies' woven garments and certain made-up items (Korea), and babies' woven garments (Yugoslavia).

3.34 The Rest Group was liberalized (Yugoslavia), and certain restraints were liberalized (Korea - five categories and three part-categories; Yugoslavia - one category and two part-categories). In addition, one restraint will be liberalized for the last two agreement years (Korea).

United States

3.35 Notifications from the United States concerned (a) new agreements (China, Costa Rica, Egypt, Mexico, Pakistan); (b) multi-year extensions of agreements (Hungary, Indonesia, Malaysia, Uruguay); (c) amendments of agreements (Bangladesh, Brazil, Jamaica, Romania, Sri Lanka, Thailand, Turkey). Details concerning notifications falling under (a) and (b) above are contained in paragraphs 3.36 to 3.42, and those concerning (c) above are contained in paragraphs 3.43 to 3.45.

3.36 Validity of notifications falling under (a) and (b) of the above paragraph varied: 1 January 1987 to 31 December 1989 (Egypt), 1 January 1987 to 31 December 1991 (Malaysia, Pakistan), 1 June 1987 to 31 December 1988 (Costa Rica), 1 July 1987 to 30 June 1991 (Uruguay), 1 July 1987 to 30 June 1992 (Indonesia), 1 January 1988 to 31 December 1991 (China, Hungary, Mexico).

3.37 Product coverage: (a) remained unchanged (Egypt, Hungary, Mexico, Uruguay); (b) was limited to one category (Costa Rica); (c) was extended by the inclusion of one or more products of silk blends and blends of vegetable fibres other than cotton in agreements and under modifications of agreements (China, Indonesia, Malaysia, Pakistan).

3.38 Some restraints were liberalized (Malaysia - some sub-limits, Pakistan - conversion of a specific limit to a designated consultation level (DCL)).

3.39 In certain agreements, all categories subject to specific limits were listed under one Group, while other products covered by the agreement but not under specific limits were placed under another or several other Groups. Group limits covering products not under specific limits were agreed in certain cases (China - three groups, Indonesia, Malaysia and Pakistan - one group each). In the case of Pakistan the new group system replaced the aggregate limit.

3.40 New specific limits were agreed: China (twenty-one categories or sub-categories), Egypt (fabric group plus one category), Malaysia (ten categories, merged or part-categories), Mexico (fifteen categories, previously DCLs), Pakistan (ten categories).

3.41 In two cases (Costa Rica, Mexico), special levels (Guaranteed Access Levels or Special Régime) were agreed for products assembled from fabrics formed and cut in the United States. In the case of Costa Rica, the one category covered by the agreement was placed under a specific limit for six months and subsequently split into a specific limit and a guaranteed access level (GAL). For Mexico, seventeen categories, previously under designated consultation levels or specific limits, were converted to categories under "special régime", under which certain percentages of trade needed to meet the requirement of United States-fabric formed and cut in the United States.

3.42 Restraint levels were renegotiated in one case (Uruguay).

3.43 Product coverage was extended through amendments of certain agreements by the addition of product categories (Turkey - two categories) and by the inclusion of silk blends and vegetable fibres other than cotton in certain product categories (Jamaica - one category, Romania - one category, Sri Lanka - four categories).

3.44 New restraints were introduced under amendments of agreements. The validity has been given in parenthesis: Bangladesh - four merged categories (varying from 1 November 1986 to 31 January 1990; Brazil - one category (1 December 1986 to 31 March 1988); Jamaica - five merged categories (varying from 1 September 1986 to 31 December 1989); Sri Lanka - eight categories or merged categories (varying from 1 June 1986 to 31 May 1988); Thailand - one merged category (1 July 1987 to 31 December 1988); Turkey - four categories (1 July 1987 to 30 June 1990).

3.45 Guaranteed access levels (GALs) and/or Designated Consultation Levels (DCL) were agreed in certain cases: Jamaica - five categories or merged categories (GAL) and one category and one merged category (DCL); Romania - eleven categories (DCL).

(ii) Changes in base levels

3.46 The paragraphs below summarize the changes in base levels over previous restraint levels, or, in cases of new restraints, over the relevant reference levels.

Canada

3.47 Base level increases in the bilateral agreements concluded by Canada were in most cases higher or substantially higher than 6 per cent; these concerned restraints agreed with Bangladesh, China, Hong Kong (eight categories), India (Group limit, two clothing categories), Korea (non-clothing categories), Macao, Malaysia, the Philippines, Singapore, Sri Lanka, Thailand and Turkey, as well as the extension agreed with Brazil. In some cases the increases were at 6 per cent; these concerned China (one category), Hong Kong (three categories), Macao (three categories), the Philippines (two categories), Poland (five categories) and Thailand (eight categories). Base level increases of less than 6 per cent were agreed with Hong Kong (seven categories), India (textile category), Korea (clothing categories), Hungary (one category), Malaysia (one category), the Philippines (one category), Poland (five categories), Singapore (three categories), Sri Lanka (one category), Thailand (one category) and Turkey (one category). In two cases, Hong Kong (one category) and Korea (one category), there were reductions; in two further cases in each of these agreements as well as for one clothing category in the agreement with India it was not possible to calculate the changes. In the case of Indonesia, the increases were at 6 per cent, but with increased fibre coverage.

EEC

3.48 Base level increases in all cases in the agreements with Peru and Sri Lanka, and in many cases in the agreements with Hungary and Pakistan and in two cases with India, were higher and sometimes substantially higher than 6 per cent; in one case (India) the increase was 6 per cent. The increases in base levels were lower than 6 per cent in all cases in the agreement with Hong Kong, with Hungary (seven categories), with India (seven categories) in all except two cases with Macao and in one case with Pakistan. In several cases it was not possible to calculate the increases due to change in

product coverage resulting from the new categorization (Hong Kong, Hungary, India, Macao, Pakistan). In two cases in the agreement with Macao there were reductions (see paragraph 4.31). With respect to the increases in base levels of restraints introduced under modifications of the agreements, the base levels were in all cases substantially above the threshold levels (China, India, Indonesia, Korea, Pakistan, Philippines, Poland, Thailand); these levels were agreed pursuant to the relevant provisions of the respective agreements, taking into account the evolution of trade.

Finland

3.49 Base level increases over the relevant reference levels in the amendment of the agreement with Macao were less than 6 per cent (two cases) and more than 6 per cent (three cases).

Norway

3.50 Increases in base levels were higher or substantially higher than 6 per cent in agreements with Czechoslovakia (three categories), Hungary (five categories), India (three categories) and Poland (all categories). The increases were lower than 6 per cent in all cases in the agreement with Hong Kong, in seven cases with Czechoslovakia, in four cases in the agreement with Hungary and in four cases in the agreement with India.

Sweden

3.51 Increases in base levels were less than 6 per cent in all cases (Korea, Yugoslavia).

United States

3.52 In the new agreements or multi-year extensions of existing agreements, increases in base levels were higher or substantially higher than 6 per cent in agreements with China (thirty-two cases, including most new restraints), Costa Rica (only category under restraint), Egypt (all cases), Malaysia (all cases), Mexico (most categories), Pakistan (most previous and all new restraints on man-made fibre products) and Uruguay (all except one restraint); the increase was at 6 per cent in two cases for China and in the case of one category for Hungary. The increase was less than 6 per cent for China (forty-four categories including wool categories), Hungary (wool categories), Mexico (three categories), Pakistan (two categories) and Uruguay (one category). Reductions in base levels were agreed with China (two categories), Mexico (three categories) and Pakistan (five categories). In certain cases (China) it was not possible to calculate the changes in base levels due to the new categorization.

3.53 Group limits in the agreements with China were set at levels higher or substantially higher than the reference levels.

3.54 With respect to restraints introduced under modifications of agreements, the increases in base levels over the relevant reference levels were higher or substantially higher than 6 per cent in all cases for Bangladesh, Brazil, Jamaica, Malaysia, Pakistan, Thailand and Turkey; for Sri Lanka the increases were higher than 6 per cent, except in one case where it was lower than 6 per cent.

3.55 In the modified extension of the agreement with Indonesia, adjustments were made to the Group and relevant specific limits to take account of changes in product coverage resulting from the new categorization.

3.56 In some cases, adjustments were made to levels to take account of overshipments (Pakistan, Turkey). In one case (Egypt) agreement was reached relating to a problem of shipments of certain categories.

(iii) Annual growth rates

Canada

3.57 Annual growth rates were higher than 6 per cent for Bangladesh (all except one category), Korea (four cases) and Philippines (two cases); at 6 per cent for Bangladesh (one category), China (nine cases), Hong Kong (textile categories), India (Group limit, clothing categories), Indonesia (all, except one category), Korea (four cases), Macao (all cases), Malaysia (three categories), Philippines (all remaining categories), Poland (five categories), Singapore (four categories), Sri Lanka (two categories), Thailand (nine categories) and Turkey (all categories). Growth rates at less than 6 per cent were agreed with China (twenty categories), Hong Kong (all clothing), Hungary (one category), India (textile categories), Korea (most categories), Malaysia (three cases), Poland (five categories), Singapore (six cases), Sri Lanka (nine categories) and Thailand (six categories). Growth rates generally remained unchanged in relation to the previous agreements, except for some clothing categories (Indonesia, Malaysia, Singapore and Thailand), where they were lower; in the agreements with Korea and Hong Kong, the growth rates for most clothing categories were much lower than before.

EEC

3.58 Growth rates were higher than 6 per cent in the agreements with Pakistan (four categories), Peru (one category) and Sri Lanka (all categories); at 6 per cent with Hong Kong (one restraint), Hungary (four categories), India (three categories) and Pakistan (two categories). Growth rates lower than 6 per cent were agreed with Hong Kong (all, except one restraint), India (remaining categories), Hungary (remaining categories), Macao (all categories) and Pakistan (four categories). The growth rates in all agreements were in practically all cases higher than in the previous ones.

3.59 With respect to restraints introduced under modifications of agreements, the growth rates were less than 6 per cent for India, Indonesia and Pakistan for categories falling within Group I, for certain other categories for Korea and Poland; at 6 per cent or above for categories falling within Group II: these concerned restraints agreed with Indonesia, Korea, Philippines, Pakistan, Poland and Thailand.

Finland

3.60 Growth rates were set at 2.5 per cent (three cases) and 3 per cent (two cases in the Macao amendment).

Norway

3.61 Growth rates in all cases were lower than 6 per cent, albeit higher than in the previous agreements, ranging between 0.5 and 4 per cent, with growth at 0.1 per cent in one case.

Sweden

3.62 Provision was made for all growth rates to increase every agreement year by either 0.25 per cent or 0.5 per cent. The initial rates were in all cases higher than in the previous agreement, but in no case will reach more than 4 per cent. In one case in the agreement with Korea, after the growth rate reaches 4 per cent, the product will be liberalized two years before the expiration of the agreement.

United States

3.63 Growth rates for Group limits were higher than 6 per cent for one Group in the Malaysian agreement and one in the extension with Indonesia; growth at 6 per cent applied to one Group in the agreement with China and one Group in the extension with Indonesia; it was less than 6 per cent for two Groups in the agreement with China.

3.64 Growth rates for specific limits higher than 6 per cent were provided for in agreements with Egypt (all cases except two sub-limits) and Pakistan (sixteen cases). In other cases, growth rates (in agreements or amendments) were 6 per cent for the non-wool categories and 1 per cent for the wool categories, except for the following non-wool restraints where they were less than 6 per cent: China (all except one case), Mexico (two cases), Pakistan (two cases); no growth applied to two sub-limits (Egypt). Growth rates were lower than in the previous agreement for China (ten cases) and Pakistan (four cases); in all other cases they remained unchanged.

(iv) Flexibility provisionsCanada

3.65 In the agreements concluded by Canada, the swing provisions were not applicable between clothing and non-clothing categories except for Hong Kong, where limits on swing from textiles to clothing categories were in place. Swing was available at 2 per cent for Korea (some categories) Poland (one category); at 5 per cent for some categories in the agreements with Brazil, China, India (Group from one clothing category), Indonesia, Korea, Malaysia and Thailand, all other categories for Poland and all categories for Hong Kong, though with limitations from textiles to clothing categories; at 6 per cent for all categories in the agreement with Macao, and some categories for Indonesia; at 7 per cent for all categories in agreements with Bangladesh, India (clothing categories), the Philippines Singapore, Sri Lanka and Turkey, as well as for some categories in agreements with Brazil, China, Indonesia, Korea, Malaysia and Thailand; at 10 per cent between two fabric categories for China.

3.66 Carryover/carry forward were available between 6/3 and 11/6 per cent for Korea, between 8/5 and 10/5 per cent for Hong Kong, between 8/5 and 11/5 per cent for China (with 10 per cent for two categories), at 7 and 5 per cent for Indonesia, at 10/5 per cent for Bangladesh, Hungary, Malaysia, Poland, Singapore, Sri Lanka and Thailand and at 11/6 per cent for Macao, the Philippines and Turkey.

3.67 The cumulative use of flexibility was limited between 6 and 18 per cent for Korea, between 10 and 12 per cent for China and Hong Kong, at 12 per cent for Poland, at 13 per cent for Bangladesh, at 15 per cent for India, Indonesia, Macao, Malaysia, Singapore and Sri Lanka and at 16 per cent for Turkey.

EEC

3.68 In all cases limitations were placed on the use of swing between and into categories falling within Group I; swing for categories within this Group was available at 1 per cent in the agreements with Hong Kong, Hungary and Macao, at 7 per cent in the agreements with India and Pakistan, and at 11 per cent for Peru and Sri Lanka. For all other categories, swing was available at 5 per cent for Hong Kong, Hungary and Macao, at 7 per cent for India and Pakistan and at 11 per cent for Peru and Sri Lanka.

3.69 After consultations, carryover was possible between 2 and 7 per cent in the agreements with Hong Kong and Macao, at 7 per cent for Hungary, India and Pakistan and at 9 per cent for Peru and Sri Lanka. Carry forward was possible between 1 and 5 per cent in the agreements with Hong Kong and Macao and at 5 per cent for the other agreements. These provisions also applied between the last year of the previous agreement (1986) and the first year of the new agreements.

3.70 The cumulative use of flexibility was agreed at 12 per cent (Hong Kong, Macao) at 13 and 13.5 per cent for Hungary and at 17 per cent (India, Pakistan, Peru, Sri Lanka).

3.71 In all cases the flexibility provisions were more favourable to the exporting countries. In addition, it was possible under certain circumstances to transfer quantities of unused regional quota shares to other regions. In the case of amendments, the flexibility provisions of the agreements applied.

Finland

3.72 The flexibility provisions of the agreement with Macao, namely 5 per cent swing and 10/5 per cent carryover/carry forward applied to the new restraints.

Norway

3.73 Swing in the agreement with Hong Kong set at 1, 3 and 4 per cent was better than in the previous agreement. In cases of agreements with Czechoslovakia, Hungary and Poland, swing, which was not available previously, was now set at 2.5 per cent, with no swing between the textiles and clothing categories in the agreements with Czechoslovakia and Poland. In the case of India, swing was less favourable for two categories (0.1 and 0.5 per cent) but more favourable than the previous 2 per cent for the other categories at 3 or 5 per cent.

3.74 Carryover/carry forward were available between 4/2 and 8/4 per cent in the agreement with Hong Kong, between 4/2 and 10/5 per cent in the agreement with India, at 8 plus 5 per cent for Czechoslovakia and Poland and at 8 plus 4 per cent for Hungary.

3.75 The combined use of flexibility was limited to 4 and 8 per cent for Hong Kong at 4, 8 and 10 per cent for India, and 8 per cent for the other countries. The flexibility provisions were more advantageous to the exporting countries than in the previous agreements.

Sweden

3.76 Swing, previously not available, was now available at 3 and 5 per cent for Korea and at 3 per cent for Yugoslavia. Carryover and carry forward were set at 3 plus 3 per cent in all cases for Yugoslavia and in some cases for Korea, and at 5 plus 5 per cent for the other cases with Korea. The cumulative use of flexibility was limited to 6 and 10 per cent (Korea) and 6 per cent (Yugoslavia). The use of flexibility provisions were more favourable to the exporting countries.

United States

3.77 For Group limits, swing was available at 10 per cent (Mexico), 7 per cent (Indonesia) and 5 per cent (China); for specific limits, swing was available at 5 per cent for China (old restraints), Hungary, Indonesia (wool) and Malaysia; at 6 per cent for Bangladesh, Brazil, Egypt, Pakistan (some cases), Sri Lanka and Uruguay (one case); at 7 per cent for China (new specific limits), Indonesia (non-wool), Jamaica, Pakistan (other cases); swing available from basket categories was more advantageous to Mexico. Additional swing was provided for some cases in agreements with China, Indonesia, Jamaica and Sri Lanka. For China, certain limitations were placed on the use of swing.

3.78 Carryover/carry forward applied at 11/5 per cent except in the agreement with China where carryover was available at 3 and 5 per cent for the Groups and at 2 per cent for the specific limits; carry forward with certain limitations was set at 2 and 3 per cent for the Groups and 3 per cent for the specific limits, with additional carry forward of 2 per cent for the first agreement year. Cumulative use of carryover and carry forward was set at 3 and 5 per cent for the Groups and at 3 per cent for specific limits (except for 1988 at 5 per cent). There was a possibility for carryover/carry forward to be available for specific limits at 10/5 per cent after consultations.

3.79 Added flexibility for one restraint period was provided for two merged categories in the agreement with Sri Lanka.

3.80 The flexibility provisions in almost all cases were less favourable to China than previously. More favourable swing provisions applied in the agreements with Mexico and Uruguay.

(v) Additional access

3.81 In certain agreements additional access was provided for certain categories by allowing for children's or infants' garments to count against the quota unit at the ratio of 5:3. This possibility applied to the totality of clothing items under restraint in some cases (Canada) or to a percentage (ranging from 2 to 5) of the quota in some cases (EEC), namely:

- (a) agreements or extension of agreements concluded by Canada with Brazil, China, Hong Kong, India, Indonesia, Korea, Macao, Malaysia, Poland, Singapore, Sri Lanka and Thailand; and
- (b) agreements concluded by the EEC with Hong Kong, Hungary, India, Macao, Pakistan and Sri Lanka.

3.82 Additional quantities were available annually for Category 1 in the EEC/Peru agreement. For the new restraints introduced under the bilateral agreements concluded by the EEC with Indonesia and Thailand, additional quantities were agreed. For three new restraints in the United States/Malaysia agreement, additional quotas were provided for the first restraint period.

3.83 Additional access was provided annually for one category in the Norway/India agreement.

3.84 Additional quotas for outward processing traffic were agreed for certain categories in the agreements concluded by the EEC with Macao, Pakistan and Sri Lanka.

3.85 Additional quota for handmade garments were available for four categories in the EEC/India agreement; additional access for products made from traditional folklore fabrics applied to four new categories in the United States/Indonesia agreement.

(vi) Revised categorization

3.86 Modifications of a certain number of agreements concerned the adjustment in restraint levels to take account of revisions in categorization of products. These concerned the following agreements: Austria/Hong Kong, Finland/Hong Kong, United States/Indonesia, United States/Uruguay.

(vii) Notifications awaiting review

3.87 The TSB has received but not as yet reviewed certain notifications made under Article 4. These concern: (a) several agreements (Canada/Czechoslovakia, Canada/Romania, Norway/Macao, Sweden/Thailand, United States/Colombia, United States/Romania) and (b) a number of amendments of agreements (Canada/Malaysia, Canada/Pakistan, Canada/Philippines, Finland/China, Finland/Hong Kong, Finland/India, United States/Hong Kong, United States/Hungary, United States/Jamaica, United States/Romania).

D. Notifications under Articles 7 and/or 8

(i) Notifications concerning participating countries

3.88 A number of notifications concerning participating countries were notified under Articles 7 and 8 for information.

3.89 Austria and Brazil replaced their restraint agreement, which expired on 31 October 1987, by an agreed export authorization system covering cotton yarn and kitchen towels of cotton.

3.90 The agreements by the EEC with Colombia, Guatemala and Mexico, which expired on 31 December 1986, were replaced by simplified agreements covering the EEC's ninety-three product categories, providing for exchange of information and for cooperation to avoid circumvention. The agreements do not contain any restraints but provide for the possibility of consultations in cases of market disruption or real risk thereof with a view to finding appropriate solutions. A bilateral agreement with Yugoslavia was concluded for the period 1 January 1987 to 31 December 1991 as an Additional Protocol to the Cooperation agreement between the parties.

(ii) Notifications concerning non-participating countries

3.91 Several agreements concluded and actions taken against non-participating countries were notified under Articles 7 and/or 8 in accordance with the request by the Textiles Committee. These notifications are listed below.

Canada

3.92 A bilateral agreement was concluded with Bulgaria for the period 1 January 1987 to 31 December 1991; an agreement with the German Democratic Republic was concluded for the period 1 January 1988-31 December 1991. Unilateral measures were introduced with respect to imports from South Africa.

EEC

3.93 A consultation agreement was concluded with Haiti for the period 1 January 1987 to 31 December 1991. A bilateral agreement was concluded with Bulgaria for the period 1 January 1987 to 31 December 1990.

Norway

3.94 Norway notified import quotas for the 1988 calendar year on certain products when imported from the German Democratic Republic.

United States

3.95 The United States concluded bilateral agreements with Burma for the period 1 January 1987 to 31 December 1990, with Panama for the period 1 April 1987 to 31 March 1990 and with the USSR for the period 1 August to 31 December 1988. The agreements with Haiti and Mauritius were modified.

E. Notifications under Article 11

3.96 In accordance with the provisions of Article 11, paragraphs 11, 12 and 2, the TSB annually requests the Chairman to invite all participating countries to report on the status of restrictions maintained by them on imports of textile products covered by the Arrangement.

3.97 During the period covered by this report, the TSB also considered replies received to the previous request, made in 1987, from Indonesia, Jamaica, Korea, Macao, Philippines, Romania, and completed its review of the notifications made by Czechoslovakia and Sweden.

3.98 Of the reports received in reply to the request made in 1987, Jamaica and Macao reported they maintained no quantitative restrictions; Czechoslovakia, in answer to clarifications sought by the TSB, stated that in 1987 it maintained neither unilateral nor bilateral restrictions; Romania notified it applied no import restrictions on textile products; Korea notified restrictions on silk fabrics and man-made fibres for spinning of polyester fibres; Indonesia listed products which may be imported only by Approved or Producer Importers (certain yarns and fabrics and clothing items with batik or batik motifs); the Philippines referred to its programme of liberalization notified to the Balance-of-Payments Committee (BOP/269 and Add.1 and 2); Sweden clarified that the bilateral quotas on imports of certain products from Czechoslovakia, Hungary, Poland and Romania

were maintained in accordance with the relevant protocols of accession to the GATT and/or bilateral long-term agreements with the countries concerned.

3.99 Replies to the 1988 request (COM.TEX/SB/1377) were received from the following participants: Canada, EEC, Finland, Guatemala, Hong Kong, Japan, Korea, Macao, Mexico, Norway, Singapore, Sweden, Switzerland, Thailand, Turkey, United States and Uruguay.

3.100 No replies to the 1988 request were received by 23 September from Argentina, Austria, Bangladesh, Brazil, Colombia, Czechoslovakia, Egypt, Hungary, India, Indonesia, Jamaica, Malaysia, Pakistan, Peru, Philippines, Poland, Romania, Sri Lanka and Yugoslavia.

3.101 Reports received under Article 2 from China, Costa Rica and the Dominican Republic are contained in paragraphs 3.2 to 3.4.

3.102 Six participants stated in their replies to the 1988 request that they maintained no restrictions (Guatemala, Hong Kong, Japan, Macao, Singapore and Uruguay). Switzerland, which applies no unilateral restraints nor maintains any bilateral agreements under the MFA, has notified the texts of two Ordinances of 1987 governing the licencing of certain textile products.

3.103 Three participants notified reductions in their restrictions: Mexico notified that prior import licences were required only for luxury goods such as carpets and carpeting, as well as for used clothing and used made-up items; Turkey notified that prior authorization applied only to used clothing and furnishing articles imported in bulk; Korea notified the liberalization of imports of man-made fibres and that the only remaining restriction was the requirement of specific recommendations from certain authorities for imports of certain silk products.

3.104 One participant, Thailand, notified that natural fibre bags and piece goods containing 50 per cent or more of silk continued to be subject to import licencing in order to protect local production.

3.105 Six participants (Canada, EEC, Finland, Norway, Sweden and the United States) referred to the restrictions notified or to be notified by them under the relevant provisions of the MFA. In addition, the EEC and Sweden referred to measures which they notified only in response to the Article 11 request:

- (a) the EEC notified restrictions maintained by some member States with respect to imports from Albania, the German Democratic Republic, Mongolia, North Korea, the USSR and Vietnam;
- (b) Sweden notified bilateral quotas agreed with China, Czechoslovakia, German Democratic Republic, Hungary, Poland and Romania.

3.106 Details regarding the restrictions notified under Article 11 are contained in the Addendum to this report.

Bilateral agreements/modifications/actions under the 1986 Protocol
reviewed by the TSB during the period 1 October 1987-23 September 1988

<u>Importing Country</u>	<u>Exporting Country</u>		<u>Validity</u>	<u>COM.TEX/SB/-</u>
<u>Notifications under Article 3:5, 3:8 and 11:5</u>				
<u>CANADA</u>	Brazil			1407,1418,1421
<u>UNITED STATES</u>	Turkey			1345,1370,1407, 1418
<u>Notifications under Article 4</u>				
<u>AUSTRIA</u>	Hong Kong	(M)	1.1.88-31.1.90	1413
<u>CANADA</u>	Bangladesh	(N)	1.1.87-31.12.91	1381
	Brazil	(E + M)	1.1.87-31.12.87	1344
	China	(N)	1.1.87-31.12.91	1390
	Hong Kong	(N)	1.1.87-31.12.91	1409
	Hungary	(N)	1.1.87-31.12.91	1371
	India	(N)	1.1.87-31.12.91	1414
	Indonesia	(N)	1.1.87-31.12.91	1330
	Korea	(N)	1.1.87-31.12.91	1329
	Macao	(N)	1.1.87-31.12.91	1343
	Malaysia	(N)	1.1.87-31.12.91	1360
	Philippines	(N)	1.1.87-31.12.91	1384
	Poland	(N)	1.1.87-31.12.91	1411
	Singapore	(N)	1.1.87-31.12.91	1382
	Sri Lanka	(N)	1.1.87-31.12.91	1410
	Thailand	(N)	1.1.87-31.12.91	1380
	Turkey	(N)	1.1.87-31.12.90	1383
<u>EEC</u>	China	(M)	25.9.87-31.12.88	1404
	Hong Kong	(N)	1.1.87-31.12.91	1372
	Hungary	(N)	1.1.87-31.12.91	1336
	India	(N+M)	1.1.87-31.12.91	1401,1402
	Indonesia	(M)	23.6.87-31.12.91	1338
	Korea	(M)	1.1.87-31.12.91	1340
		(M)	1.1.88-31.12.91	1415
	Macao	(N)	1.1.87-31.12.91	1335
	Pakistan	(N+M)	1.1.87-31.12.91	1361,1362,1363, 1364,1403
	Peru	(N)	1.1.87-31.12.91	1349
	Philippines	(M)	23.6.87-31.12.91	1337
	Poland	(M)	1.1.87-31.12.91	1341
	Sri Lanka	(N)	1.1.87-31.12.91	1350
	Thailand	(M)	1.1.87-31.12.91	1339
<u>FINLAND</u>	Hong Kong	(M)	1.1.88-31.12.91	1378
	Macao	(M)	1.1.88-31.12.91	1379
<u>NORWAY</u>	Czechoslovakia	(N)	1.7.87-30.6.92	1399
	Hong Kong	(N)	1.7.87-30.6.90	1346
	Hungary	(N)	1.1.87-31.12.91	1398
	India	(N)	1.1.87-31.12.91	1416
	Poland	(N)	1.1.88-31.12.91	1400

Notifications under Article 4 (cont'd)

<u>Importing Country</u>	<u>Exporting Country</u>	<u>Validity</u>	<u>COM.TEX/SB/-</u>	
<u>SWEDEN</u>	Korea	(E)	1.3.87-30.6.87	1388
		(N)	1.7.87-29.2.92	1389
	Yugoslavia	(E)	1.1.87-30.6.87	1365
		(N)	1.7.87-31.12.91	1366
<u>UNITED STATES</u>	Bangladesh	(M)	1.11.86-31.1.90	1319
		(M)	1.6.87-31.1.90	1351
	Brazil	(M)	1.12.86-31.3.88	1317
	China	(N)	1.1.88-31.12.91	1318, 1412
	Costa Rica	(N)	1.6.87-31.12.88	1387
	Egypt	(N)	1.1.87-31.12.89	1397
	Hungary	(E + M)	1.1.88-31.12.91	1321
	Indonesia	(E + M)	1.7.87-30.6.92	1408
	Jamaica	(M)	1.1.87-31.12.89	1326
		(M)	1.9.86-31.12.89	1347
	Malaysia	(M)	1.9.86-31.12.89	1332
		(M)	1.12.86-31.12.89	1333
		(E + M)	1.1.87-31.12.91	1334
	Mexico	(N)	1.1.88-31.12.91	1394
	Pakistan	(N)	1.1.87-31.12.91	1322
		(M)	1.5.86-31.12.91	1323
	Romania	(M)	1.1.87-31.12.87	1327
	Sri Lanka	(M)	1.6.86-31.5.88	1331
		(M)	1.6.87-31.5.88	1348
	Thailand	(M)	1.7.87-31.12.88	1320
Turkey	(M)	1.7.87-30.6.90	1373 + Corr.1	
Uruguay	(E + M)	1.7.87-30.6.91	1393	

Notifications under Articles 7 and 8

<u>AUSTRIA</u>	Brazil	(E + M)	1.11.87-	1354
<u>CANADA</u>	Bulgaria	(N)	1.1.87-31.12.91	1367
	German Dem.Rep.	(N)	1.1.88-31.12.91	1417
	South Africa	(measures taken)	1.1.88-31.12.91)	1368
<u>EEC</u>	Bulgaria	(N)	1.1.87-31.12.90	1356
	Colombia	(N)	1.1.87-31.12.91	1357
	Guatemala	(N)	1.1.87-31.12.91	1375
	Haiti	(N)	1.1.87-31.12.91	1374
	Mexico	(N)	1.1.87-31.12.91	1358
	Yugoslavia	(N)	1.1.87-31.12.91	1355
<u>UNITED STATES</u>	Burma	(N)	1.1.87-31.12.90	1353
	Haiti	(M)	1.1.87-31.12.91	1324
	Mauritius	(M)	1.10.84-30.9.90	1352,1405
	Panama	(N)	1.4.87-31.3.90	1376
	USSR	(N)	1.8.87-31.12.88	1406

N: New agreement

M: Modification of agreement

E: Extension of agreement

Chapter 4: Observations by the TSB

A. Observations on notifications received under Article 2

(i) Under Article 2:1

Costa Rica

4.1 Costa Rica notified that it maintained no quantitative restrictions on imports of textile products. After its review, the TSB concluded that Costa Rica's report on the status of quantitative restrictions or any other quantitative measures had fulfilled its obligation under Article 2:1 and agreed to transmit the notification to the Textiles Committee for information. (COM.TEX/SB/1407)

Dominican Republic

4.2 In reviewing the notification by the Dominican Republic on the status of its restrictions on textile products, 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.

4.3 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. (COM.TEX/SB/1421)

(ii) Under Article 2:4

China

4.4 In reviewing the notification made by China on the status of restrictions maintained by it, the TSB noted that certain products were subject to licensing. It considered that it still needed:

- (a) information on imports, by volume and value, of all textile products, including detailed information on imports of products not subject to licensing; and
- (b) further clarification on the procedures required for acquiring foreign exchange for textile items not subject to import licensing.

4.5 The TSB nevertheless decided to transmit the notification to participating countries for their information. It was understood that this transmittal was without prejudice to the ongoing consultations in the Working Party on China's Status as a Contracting Party. (COM.TEX/SB/1395)

B. Unilateral measures under Article 3 and reference under Article 11:5**(i) Unilateral measures under Article 3:5 and Article 3:8**Canada/Brazil

4.6 With respect to the unilateral measures taken by Canada under Article 3:5 with respect to imports of bedsheets, pillowcases and cotton terry towels, washcloths and sets from Brazil, the Body heard presentations by delegations from both parties on their respective cases.

4.7 Based on the information supplied to it during the review, which updated that provided at the time of the request for consultations, the TSB was of the opinion that market disruption had been demonstrated for both bedsheets and pillowcases and had not been demonstrated for cotton terry towels, washcloths and sets. The TSB therefore recommended that the restraint on cotton terry towels, washcloths and sets be rescinded.

4.8 The TSB noted that two rounds of consultations under the MFA had taken place between the parties and that they had expressed their intent to resume them; the Body recommended that such consultations be held as soon as possible, that the parties take into account all relevant provisions of the MFA, including paragraph III of Annex A, and that they report back to it on the results before the TSB meeting scheduled for 21-23 September 1988. (COM.TEX/SB/1407)

4.9 The TSB was informed by Canada in July that in accordance with the recommendation referred to in paragraph 4.7 above, it had rescinded the restraint on cotton terry towels, washcloths and sets. In September 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 referred to in paragraph 4.6 above; consequently, Brazil withdrew its request to the TSB. This agreement shall be notified in due course. (COM.TEX/SB/1418 and 1421)

United States/Turkey

4.10 During its review of the measure taken by the United States on imports of cotton and man-made fibre skirts from Turkey (see paragraph 3.10), the TSB noted the statement of the United States that cotton and man-made fibre skirts constituted one product in its market. It also noted that imports of products falling under Category 642 from Turkey were negligible at the moment of the request for consultations and still small according to the latest information made available to the Body in the course of the meeting.

4.11 After examining all the available data and other elements related to this case, the TSB was of the opinion that the two parties had not exhausted all possibilities available under the MFA, and recommended they resume consultations on cotton and man-made fibre skirts bearing in mind:

- (a) the development of United States' imports of cotton and man-made fibre skirts from Turkey up to September 1987, which is the latest information made available to the Body at the present meeting;

- (b) the position of Turkey in terms of Article 6 and paragraph 13 of the 1986 Protocol of Extension;
- (c) paragraph III of Annex A;
- (d) the need to avoid market disruption in the United States.

4.12 The TSB requested both parties to report on the results of the consultations by 20 January 1988.

4.13 In January 1988, both parties reported that after consultations no agreed solution had been found. The TSB understood it might revert to the matter at the request of either party, or on its own decision.

4.14 At the request of Turkey the TSB reverted to the matter in February 1988. In its request Turkey reiterated its opinion that Categories 342 and 642 being different products, Category 642 should not be included in the consultations, since Turkey's exports to the United States of Category 642 products were negligible. The TSB recalled that it had examined the case in December 1987, and that the bilateral consultations recommended by it had not resulted in an agreed solution.

4.15 After hearing the reports from the parties, the TSB concluded that its recommendation had not been correctly interpreted. It recalled that the recommendation was based on four elements (items (a) to (d) of paragraph 4.11 above): sub-paragraphs (a), (b) and (c) addressed the fact that the application of a reference level established in accordance with Annex B, paragraph 1(a), i.e. imports in the twelve-month period ending in February 1987, did not take into account Article 6 of the Arrangement, paragraph 13 of the 1986 Protocol and paragraph III of Annex A, while item (d) recognized that the need to avoid market disruption in the United States should be borne in mind by the parties. None of these elements in isolation could represent the sense of the recommendation.

4.16 The TSB noted that in referring to the development of imports up to September 1987, it had not intended to indicate a level of restraint, but only one of the several reference points to be taken into consideration by the parties.

4.17 The Body, therefore, recommended that once again the parties resume their consultations, bearing in mind both its previous recommendation and the above comments, and report to it on the result of such consultations.

4.18 In May 1988, the United States informed the TSB that in the absence of agreement with Turkey on the extension of the restraint under Article 3:8, it intended to invoke paragraph 8 of the 1986 Protocol of Extension.

4.19 In June 1988, the TSB was informed that consultations between the parties were scheduled during that month and in view of the request by both parties that the TSB defer its consideration of the matter, the Body agreed to such deferment. The TSB asked both parties to report back to it on the result of their consultations before its next meeting scheduled for 13-15 July. (COM.TEX/SB/1345, 1359, 1370, 1407)

4.20 In July, the United States reported that the parties had found a solution in the context of a bilateral agreement which will be notified to the TSB in due course. (COM.TEX/SB/1418)

(ii) Solutions to measures notified before 1 October 1987 and referred to in the 1987 Annual Report¹

United States/Bangladesh

4.21 The unilateral measure taken by the United States under Article 3:5 on man-made fibre sweaters (Category 645/646) was superseded by an agreed restraint for the period 1 November 1986 to 31 January 1990, with the base level being substantially higher than the Annex B level. (COM.TEX/SB/1325)

United States/China

4.22 In September 1987, the United States had notified under Article 3:8 and paragraph 8 of the 1986 Protocol the extension of the unilateral restraint on imports of silk blend and other vegetable fibre sweaters (Category 845/846) from China.

4.23 During the period under review, the parties had requested the TSB to defer consideration of the case in view of forthcoming bilateral consultations. In agreeing to the request, the TSB recalled the importance it attaches to the consideration of Article 3 cases within a period of thirty days whenever possible.

4.24 In January 1988, the TSB was informed that the matter had been solved in the context of a new bilateral agreement concluded for the period 1 January 1988 to 31 December 1991. The TSB did not find it necessary to pursue the matter. (COM.TEX/SB/1345 and 1359)

United States/Pakistan

4.25 In an amendment to the United States/Pakistan agreement, a restraint was agreed for lightweight plainweave man-made fibre fabric (Category 613-C) which had been subject to unilateral restraint under Article 3:8 and paragraph 8 of the 1986 Protocol. (COM.TEX/SB/1325)

C. Notifications under Article 4

4.26 After their review, all notifications made under Article 4 were transmitted to the Textiles Committee. The following paragraphs contain observations made by the TSB; in doing so, the TSB often took note of statements made by parties relating to the relevant notifications.

(i) Notifications transmitted without any specific observations

4.27 Certain notifications were transmitted without any specific observations. These concerned the following bilateral agreements: Canada's agreements with Bangladesh, the Philippines and Turkey (COM.TEX/SB/1385), and the extension of its agreement with Brazil (COM.TEX/SB/1345); modifications of the agreements concluded by the EEC with China, India, Indonesia, Pakistan, the Philippines and Thailand (COM.TEX/SB/1342, 1369, 1407); modifications of the agreements concluded by the United States with Bangladesh, Brazil, Jamaica, Romania (both cotton and man-made fibre agreements), Sri Lanka, Thailand and Turkey (COM.TEX/SB/1325, 1328, 1359 and 1377).

¹COM.TEX/SB/1316

(ii) All elements in agreements

4.28 In reviewing the extension of the previous agreement and the new agreement between Sweden and Korea, the TSB bore in mind its observations and recommendation made during the review of the previous agreement (COM.TEX/SB/1164); 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. (COM.TEX/SB/1391)

(iii) Base levels

4.29 With reference to the reduction in the base level for one restraint in the Canada/China agreement, the TSB heard a statement from Canada that the reduction had been agreed in return for an increase in another category of export interest to China. (COM.TEX/SB/1391)

4.30 During its review of the agreement between Canada and Korea the TSB noted, on the one hand the decrease in the base level for one clothing category, as well as the lower growth rates for all clothing categories, and on the other hand the liberalization of restraints on two non-clothing categories and parts of three non-clothing categories, as well as the increases in base levels of non-clothing categories, in several cases substantially higher than 6 per cent. (COM.TEX/SB/1342)

4.31 Regarding the reductions in the base levels for two Community restraints in the EEC/Macao agreement, the TSB heard a statement from the EEC that they were agreed in order to take into account the true origin of previous imports into the Community. (COM.TEX/SB/1342)

4.32 In reviewing the extension and modifications of the United States/Malaysia agreement, the TSB noted the relatively low increase in one base level and the low growth rates applicable to the wool categories, and heard a statement from the United States that these had been agreed taking into account other elements in the agreement, including the merger of certain categories under specific limits, the elimination of some sub-limits, and that the base level increases over 1986 imports for the new restraints were, in all cases except one, more or substantially more than 6 per cent. (COM.TEX/SB/1342)

4.33 The TSB heard a statement from the United States that the reductions in base level for some categories and other features of the agreement with Pakistan were negotiated to take account of changes in the trade interests of both parties. (COM.TEX/SB/1325)

(iv) Growth rates and flexibility provisions

(a) Article 1:2, Annex B, paragraph 2 and paragraph 12 of the 1986 Protocol of Extension

4.34 During its review of the Finland/Macao agreement, the TSB understood that the parties had borne in mind paragraph 12 of the 1986 Protocol of Extension in negotiating the growth rates. (COM.TEX/SB/1385)

4.35 The TSB heard statements by Norway and Hong Kong that they had taken into account paragraph 12 of the 1986 Protocol of Extension in negotiating the growth rates and flexibility provisions of their agreement. (COM.TEX/SB/1359)

4.36 With respect to the growth and flexibility provisions in the Norway/Czechoslovakia agreement, the TSB heard a statement from Norway that reference was made to Annex B of the Arrangement and paragraph 12 of the 1986 Protocol of Extension. Norway made similar statements concerning the growth and flexibility provisions in its agreements with Hungary, India and Poland. (COM.TEX/SB/1407)

4.37 With reference to the growth and flexibility provisions in both the extension and the new agreement with Korea, 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. (COM.TEX/SB/1391) Sweden made reference to Annex B of the MFA and paragraph 12 of the 1986 Protocol with respect to the growth and flexibility provisions in its agreement with Yugoslavia. (COM.TEX/SB/1369)

(b) Paragraphs 2 and 5 of Annex B

4.38 During its review of the Canada/Hungary agreement, the TSB heard a statement from Canada that the lower than 6 per cent growth rate was agreed pursuant to paragraph 2 of Annex B (COM.TEX/SB/1377). Canada made similar statements with respect to the growth rates in its agreements with Malaysia, Singapore and Thailand as well as for the textile category in its agreement with India. (COM.TEX/SB/1369, 1385 and 1418)

4.39 The TSB also noted that the flexibility provisions were less favourable to Thailand than in the previous agreement, and heard a statement from Canada that 5 per cent swing for some categories had been agreed pursuant to paragraph 5 of Annex B. (COM.TEX/SB/1385)

4.40 With respect to the growth and flexibility provisions in the Canada/Poland agreement, the TSB heard a statement from Canada that these were agreed pursuant to paragraphs 2 and 5 of Annex B. (COM.TEX/SB/1418)

4.41 During its review of the EEC/India agreement, the TSB heard a statement by the EEC that the growth rates at less than 6 per cent had been agreed under Annex B, paragraph 2. (COM.TEX/SB/1407)

4.42 With respect to the growth rates for wool categories in the extension and modification of its agreement with Hungary, the United States stated that they had been sought pursuant to paragraph 2 of Annex B. The United States made a similar statement concerning growth rates for certain categories in the extension and modification of its agreement with Uruguay. (COM.TEX/SB/1325, 1395)

(c) Paragraph 10 of the 1986 Protocol

4.43 In certain cases, the TSB heard statements from the importing countries that in some of their agreements the growth and flexibility provisions had been agreed pursuant to paragraph 10 of the 1986 Protocol. These concerned the following agreements: Canada/China, Canada/Hong Kong, Canada/Korea, EEC/Hong Kong and EEC/Macao (COM.TEX/SB/1342, 1377, 1391 and 1418). The TSB heard a statement from the United States that paragraph 10 of the 1986 Protocol of Extension had been considered applicable with respect to the growth and flexibility provisions in its agreement with China (COM.TEX/SB/1418).

(d) Other statements or observations

4.44 With respect to the growth and flexibility provisions in its agreement with Sri Lanka, Canada stated that they had been agreed taking into account the increases in base levels. (COM.TEX/SB/1418)

4.45 The TSB heard a statement from the EEC that, when agreeing on most growth rates and on the flexibility provisions in the agreement with Hungary, the parties had taken into account other elements in the agreement, particularly the removal of six Community and three regional restraints, and the increases in some base levels higher or substantially higher than 6 per cent (COM.TEX/SB/1342).

4.46 During its review of the agreement between Norway and India, the TSB, while noting improvements in the agreement, such as reduction in the product coverage, liberalization of restraints on two categories and generally more favourable flexibility provisions, as well as the improved growth rates for practically all categories, noted that the growth and swing provisions for one category were now less favourable to India and set at extremely low levels. (COM.TEX/SB/1418)

4.47 In reviewing the new agreement between the United States and China covering one product, the TSB noted that, while the new agreement would take effect on 1 January 1988, the special carry forward was available for the current United States/China agreement, valid until 31 December 1987. (COM.TEX/SB/1325)

4.48 The TSB took note of a statement by the United States that in its agreement with Egypt the absence of growth in two sub-categories was agreed taking into account other features of the agreement. (COM.TEX/SB/1407)

4.49 The TSB noted the low growth rates applicable to the wool categories in the United States/Malaysia agreement, and heard a statement from the United States that these had been agreed taking into account other elements in the agreement, including the merger of certain categories under specific limit, the liberalization of some sub-limits and the higher or substantially higher than 6 per cent base levels over 1986 trade for all new restraints, except one. (COM.TEX/SB/1342)

(v) Paragraph 13 of the 1986 Protocol of Extension

4.50 In the course of its review of the agreement between the EEC and Pakistan, the TSB heard a statement by the EEC that, although growth rates of less than 6 per cent were agreed for some sensitive products, the provisions of paragraph 13(d) of the 1986 Protocol of Extension had been fully taken into account. (COM.TEX/SB/1369)

4.51 With respect to the agreements concluded with Peru and Sri Lanka, the EEC made statements that it had taken into account paragraph 13(b) of the 1986 Protocol of Extension to provide for a more favourable treatment to Peru and to Sri Lanka than that accorded to other groups of suppliers. (COM.TEX/SB/1359)

4.52 With respect to the new restraint on knit shirts and blouses (Category 339) in the United States/Egypt agreement, the TSB heard a statement from Egypt that it was a new entrant in the United States market in the product, which was of particular commercial interest to Egypt. The

TSB, taking note of the statement by Egypt, drew attention to Article 6 of the MFA and sub-paragraphs 13(d) and (f) of the Protocol of Extension. (COM.TEX/SB/1407)

(vi) Paragraph 14 of the 1986 Protocol of Extension

4.53 The TSB heard a statement from the United States that in the extension and modification of its agreement with Uruguay, increases over previous levels, growth rates and the swing provisions were agreed pursuant to paragraph 14 of the 1986 Protocol of Extension and to paragraph 2 of Annex B. (COM.TEX/SB/1395)

(vii) Article 6:6 and paragraph 15 of the 1986 Protocol of Extension

4.54 During its review of the agreement between the United States and Costa Rica, 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. (See COM.TEX/SB/1316, paragraph 3.13)

4.55 With respect to the arrangement for the two restraint periods, namely, a specific limit for the first restraint period, followed by a specific limit at a lower level plus a guaranteed access level in the second, 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. With regard to its general observation referred to in the preceding paragraph, 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. (COM.TEX/SB/1391)

4.56 During its review of the United States/Mexico agreement, the TSB bore in mind its earlier notation that the parties, in concluding a new agreement, would take into consideration Article 6:6 of the Arrangement and paragraph 15 of the Protocol of Extension. (COM.TEX/SB/1314 and 1395)

(viii) Article 8 and paragraph 16 of the 1986 Protocol

4.57 In reviewing the consultation provisions on circumvention¹ in Norway's agreements with Czechoslovakia, Hungary and Poland, the TSB took the view that any action taken by Norway under these provisions does not prejudice the right of recourse to the TSB by either party under Article 8 of the MFA and paragraph 16 of the Protocol of Extension. (COM.TEX/SB/1395)

¹In making this observation, the TSB did not address the meaning of the term "circumvention" as used in the Arrangement, but decided it would do so in the future, if necessary.

(ix) Article 12, paragraph 3

4.58 During its review of the agreement between Canada and India, the TSB noted the parties had agreed to include handloom products corresponding to one category in the restraint level, and also to consultation provisions with respect to handloom products corresponding to four clothing categories, and recalled the provisions of Article 12:3. (COM.TEX/SB/1418)

4.59 The TSB heard statements from Indonesia and the United States with respect to additional access provided for products made from traditional folklore fabrics to four additional categories. The parties stated that the clarification previously provided by them (COM.TEX/SB/1151, paragraph 13) remained valid (COM.TEX/SB/1418).

(x) Paragraph 24 of the 1986 Protocol

4.60 During the period covered by this report, the TSB made a general observation relating to paragraph 24 of the 1986 Protocol of Extension. The text of this observation is contained in Chapter 2, Section B(iii). In reviewing certain agreements which included restraints on products of fibres falling under paragraph 24, the TSB referred to this general observation.

4.61 The TSB agreed that the observation also applied to notifications then already reviewed, namely, agreements concluded by the United States with Hong Kong, India, Korea, Macao, Pakistan and the Philippines. (COM.TEX/SB/1328)

4.62 In reviewing the agreement between Canada and China, 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. (COM.TEX/SB/1391)

4.63 A similar notation was made by the TSB with respect to the Canada/Hong Kong agreement (COM.TEX/SB/1418).

4.64 In reviewing the Canada/Indonesia agreement, the TSB gave particular attention to the fact that most of the categories covered by the agreement had been constructed so as to include without distinction fibres specified in paragraph 24 of the Protocol, along with those specified in Article 12 of the Arrangement, noting that (i) this was the case for all categories under restraint and most of those subject to the consultation mechanism of the agreement; and (ii) there were no imports of paragraph 24 products from Indonesia in any of the categories concerned.

4.65 The TSB questioned the basis for this wide coverage of products made from paragraph 24 fibres when there had been no trade in such products and concluded that its general observation relating to paragraph 24 of the 1986 Protocol of Extension was clearly applicable in this case. In this respect, the TSB reiterated:

- (i) its observation that such specific restraints were not envisaged under that paragraph;
- (ii) its understanding that specific restraints on products made of fibres specified in paragraph 24 should be introduced only if it was demonstrated that imports of such products were directly competitive with products made of fibres specified in Article 12 and were causing or aggravating market disruption or real risk thereof in the importing country.

4.66 The TSB requested the two countries to take this observation into account. (COM.TEX/SB/1342)

4.67 In reviewing the Canada/Korea agreement, the TSB took into account its general observation relating to paragraph 24 of the 1986 Protocol and the information provided by Canada that there had been imports from Korea of products made of fibres specified in paragraph 24 in the case of all restrained categories with coverage extended to include those fibres. (COM.TEX/SB/1342)

4.68 The TSB observed that all clothing categories covered by the Canada/Macao agreement had been constructed so as to include without distinction fibres specified in paragraph 24 of the 1986 Protocol, along with those specified in Article 12 of the Arrangement. It noted that, while there had been imports from Macao of paragraph 24 fibres in the period 1983 to 1986, they had shown a declining trend and in the last year had occurred in only one of the categories under restraint. The TSB therefore questioned the basis for the restraints on other products made from paragraph 24 fibres and concluded that its "General Observation relating to paragraph 24 of the 1986 Protocol of Extension", in particular the fourth paragraph thereof, was applicable in this case. (COM.TEX/SB/1345)

4.69 With respect to the specific restraint introduced on Category 345/845 in the United States/Jamaica agreement, the TSB noted that there were no imports in Category 845 (sweaters of other vegetable fibres), and recalled its observation that the introduction of specific restraints on products made of fibres specified in paragraph 24 when there had been no imports or imminent increase of imports (as defined in Annex A) were not envisaged under that paragraph. It requested both parties to take this observation into account. (COM.TEX/SB/1328) Similar observations were made with respect to some restraints on categories which included paragraph 24 fibres under an amendment of the United States/Sri Lanka agreement, and with respect to the introduction of a restraint on Category 842 under an amendment of the United States/Malaysia agreement, though the TSB noted that subsequently trade had developed in this Category. (COM.TEX/SB/1342)

4.70 The TSB also noted that in the United States/Sri Lanka amendment, although the 1986 Protocol had come into force on 1 August 1986, one of the restraints including products of paragraph 24 fibres had been made retroactive to 1 June 1986. The TSB advised both parties to pay attention to this fact. (COM.TEX/SB/1342)

4.71 With respect to certain modifications (Canada/Macao, United States/Malaysia, United States/Sri Lanka), the TSB noted the consultation provisions contained in the relevant agreements and recalled its understanding that specific restraints on products made of fibres specified in paragraph 24 should be introduced only if it was demonstrated that imports of such products were directly competitive with products made of fibres specified in Article 12 and were causing or aggravating market disruption or real risk thereof in the importing country. The TSB requested the countries concerned to take this observation into account. (COM.TEX/SB/1342 and 1345)

(xi) Price clause

4.72 In relation to the price clause contained in Article 5 of the EEC/Hungary agreement, the TSB reiterated its earlier statements that such a price clause falls outside the provisions of the MFA. It expressed the view that in any case of application of the price clause, due consideration should be given to the fact that such application may have the effect of nullifying the objectives of the Arrangement in terms of Article 9:1. The TSB recommended that in the event of the application of the price clause, every effort should be made to ensure that such application would be in conformity with the MFA. (COM.TEX/SB/1342)

(xii) Other

4.73 The TSB took note of a statement by Norway that the delay in notification of its agreement with Czechoslovakia was due to administrative reasons. (COM.TEX/SB/1407)

D. Notifications under Article 11

4.74 During its review of certain Article 11 notifications made in reply to its 1987 request, the TSB felt that more information would be desirable regarding elements such as foreign exchange constraints and overall national economic plans which affect textile imports. The TSB is of the opinion that participating countries notifying under Article 11 should, to the extent possible, include such information, and to this end asked, in its letter addressed to all participating countries in 1988 requesting information under Article 11, that they provide information on "any type of measure having a restrictive effect, for instance, those subjecting imports to factors such as availability of foreign exchange, priorities in development needs, approval by State or industry bodies, etc., or those where products are imported by State-trading enterprises or other enterprises which enjoy exclusive or special privileges".

4.75 The TSB noted that certain participants who had previously notified they maintained no restrictions, had not introduced any restrictions (Guatemala, Hong Kong, Japan, Macao, Singapore and Uruguay).

4.76 While reviewing the notification by Switzerland, the TSB noted that the new Ordinances of 1987 had not modified the Swiss régime for textile imports. With respect to the requirement of licensing subject to certain minimum price margins for imports of some products from certain participants, the TSB recalled its opinion that every effort should be made to ensure that the application of the provision would be in conformity with the MFA.

4.77 Three participants, Czechoslovakia, Romania and Thailand, notified no change in their textile régimes. In this context, the TSB noted that Czechoslovakia, in providing additional clarification on its import régime, had stated it would provide further information relating to 1988.

4.78 Four participants, Jamaica, Korea, Mexico and Turkey, have liberalized restrictions maintained by them previously: Jamaica has removed all restrictions; Korea has removed the remaining restrictions on man-made fibre products; Mexico which had previously notified that the prior permit requirement applied to fabrics, clothing and several made-up items, notified that products falling under only three tariff headings now need prior

permits; Turkey has continued to reduce the number of products under restriction and notified that prior authorization is only required for imports in bulk of products falling under one tariff heading.

4.79 The TSB noted that most products listed in the notification by Indonesia concerned products with batik work or batik motifs. It also took note that the Philippines had informed the Balance-of-Payments Committee of its programme up to April 1988 relating to liberalization of restrictions on textile products.

4.80 With respect to importing countries, the TSB noted that Sweden continued to maintain restrictions outside the MFA on certain countries participating in the Arrangement and that the EEC had concluded an agreement with Yugoslavia under their Cooperation Agreement.

4.81 Three participants, Costa Rica, the Dominican Republic and China, reported under the relevant paragraphs of Article 2, relating to the restrictions maintained by them on imports of textile products (see paragraphs 3.2-3.4 and 4.1 to 4.5 above).

4.82 In making its findings on the reports received under Article 11 from participating countries, the TSB noted that certain participants had not replied to the two requests for information made under the 1986 Protocol of Extension, namely: Argentina, Bangladesh, Colombia, Egypt, Malaysia, Pakistan, Poland and Sri Lanka.

Chapter 5: An appreciation of the notifications reviewed during the first two years of the MFA as extended by the 1986 Protocol

5.1 This appreciation is based on the notifications reviewed by the TSB during the period 1 August 1986 to 23 September 1988. In so doing, account has been taken of the interim appreciation made in the previous report which covered the period 1 August 1986 to 30 September 1987.

5.2 During the two-year period, the TSB has reviewed: (a) unilateral measures taken, (b) bilateral agreements, extensions and/or modifications concluded under the MFA as extended by the 1986 Protocol and (c) status of restrictions as notified under Article 11. The TSB also reviewed certain notifications concerning necessary modifications of agreements resulting from the application of the Harmonized System.

5.3 During the period, the TSB found it useful to make general observations on certain matters. These concerned: Article 6:6 and paragraph 15 of the 1986 Protocol; paragraphs 8 and 24 of the 1986 Protocol; overshoots. The TSB also prepared a report on the consistency of aggregate and group limits with the provisions of the MFA. These observations and the report were approved at different times and therefore were applicable only to notifications reviewed thereafter.

5.4 Since 1 August 1986, three unilateral measures were taken by Canada with respect to imports from Brazil; as recommended by the TSB, Canada rescinded one measure; subsequently a solution was agreed which included the three products subject to the measures. Five unilateral measures were taken by the United States with respect to imports from Bangladesh, China and Turkey; bilateral restraints were agreed with respect to all these measures. Consultations on the renewal of other previously reported unilateral actions (United States/China, United States/Pakistan) were also resolved bilaterally, with agreed restraints in all cases.

5.5 All restraint agreements negotiated under the MFA with participating countries were concluded under Article 4. Such agreements in force on 23 September 1988 numbered (by 23 September 1988, the following number of agreements had been notified to the TSB): Austria - five (five); Canada - nineteen (nineteen); EEC - nineteen (nineteen); Finland - nine (nine); Norway - sixteen (seven); Sweden - eleven (three); United States - thirty-one (twenty-eight). Certain restraints, agreements or bilateral quotas affecting participating countries were maintained outside the MFA: EEC - one; Sweden - five.

5.6 All agreements concluded by the EEC were comprehensive in coverage, while the United States concluded agreements with comprehensive or selective coverage. Canada, Norway and Sweden concluded selective agreements to include clothing items and/or certain made-up items, while yarns and fabrics were also included in certain Canadian agreements. Austria and Finland concluded agreements with very few restraints.

5.7 Product coverage (i.e. products under restraint plus those not under restraint but subject to consultation) was reduced in certain agreements (Austria, Finland, Norway and Sweden), remained unchanged in a number of agreements (EEC, Canada and United States), increased in some agreements concluded by Canada and the United States. Products made of fibres covered by paragraph 24 of the 1986 Protocol of Extension were included in the coverage of certain agreements (Canada: China, Hong Kong, Indonesia, Korea, Macao; United States: China, Hong Kong, India, Indonesia, Jamaica, Korea, Macao, Malaysia, Pakistan, Romania, Sri Lanka).

5.8 The number of restraints was reduced in all agreements reviewed (EEC, Norway, Sweden) or in certain agreements (Austria, Canada, Finland and United States), remained unchanged in some agreements (Austria, Canada, Finland and United States) or were increased in others (Canada and United States). Six agreements with no restraints replaced previous restraint agreements (Austria: Brazil, Singapore; EEC: Bangladesh, Colombia, Mexico, Uruguay); in the case of Bangladesh, the EEC stated that this was agreed pursuant to paragraph 13 of the 1986 Protocol.

5.9 Additional access for specific products in certain agreements (Canada, EEC, Norway and United States) was possible (a) by providing favourable terms to count children's garments against quota units (Canada and EEC) and (b) by providing additional quotas (EEC, Norway and United States).

5.10 Access of products covered by agreements continued to be limited through aggregate or group limits in certain cases (Canada: India, Macao; United States: India, Indonesia, Macao, Pakistan, Philippines); limits to access were introduced in some United States' agreements (Japan - group limits which affect the total coverage of the agreement; China, Hong Kong and Korea - group limits).

5.11 Certain agreements contained additional access possibilities for products re-imported after processing: EEC - OPT quotas; United States - Guaranteed Access Levels (GALs) and "Special Régime".

5.12 Most agreements contained agreed consultation procedures making it possible to introduce restraints on products covered but not yet under restraint.

5.13 Base level increases over previous restraints or, in the case of new restraints over reference (rollback or trade) levels, were in most cases more or substantially more than 6 per cent in the agreements concluded by Austria, Canada, Norway and the United States and in amendments of agreements by the EEC. In two agreements (Canada/Uruguay, United States/Uruguay) such increases were agreed pursuant to paragraph 14 of the 1986 Protocol. Increases in base levels lower than 6 per cent were negotiated in many agreements, notably those concluded by the EEC, Finland and Sweden. In certain cases concerning Canada, the EEC and the United States, it was not possible to calculate the increases due to modifications in the categorization of products. There were also a few cases of reductions in base levels; most of these were negotiated against other elements in the agreements.

5.14 Annual growth rates, though in most cases higher than previously, were still lower than 6 per cent in a large number of cases (Austria, EEC, Finland, Norway, Sweden, United States); growth rates unchanged at 6 per cent applied in agreements concluded by Canada and the United States, though in some of their agreements annual growth rates for some products were lower than the previous rates. Lower than 6 per cent growth rates were generally agreed pursuant to paragraph 2 of Annex B and/or paragraph 12 of the 1986 Protocol; for certain agreements reference was made to paragraph 10 of the 1986 Protocol (Canada: China, Hong Kong, Korea; EEC: Hong Kong, Korea, Macao; United States: China, Hong Kong, Korea, Japan).

5.15 Improvements in flexibility provisions were made in some or all agreements by all importers; they remained unchanged in others (Canada and United States) or were less favourable in a few (Canada and United States). Limits on the cumulative use of flexibility were made in several agreements (Canada, EEC, Norway, Sweden), resulting in certain cases for the cumulative level to fall below the sum of the levels for swing and carryover/carry forward as set out in Annex B. For certain agreements, reference was again made to paragraph 10 of the 1986 Protocol (Canada: China, Hong Kong, Korea; EEC: Hong Kong, Korea, Macao; United States: China, Hong Kong, Korea, Japan); in other cases, reference was made to paragraph 5 of Annex B and/or paragraph 12 of the 1986 Protocol.

5.16 The TSB considered other information received from participating countries under Article 11. It noted that certain participants continued to maintain no restrictions (Guatemala, Hong Kong, Japan, Macao, Singapore, Switzerland and Uruguay), and that others had liberalized either all restrictions (Jamaica) or most restrictions (Indonesia, Korea, Mexico and Turkey).

5.17 Certain participants (Brazil, India, Peru and Yugoslavia) referred to GATT Article XVIII in justification for their restrictions. Thailand continued to maintain very few restrictions. The Philippines has notified a liberalization programme to the Balance-of-Payments Committee.

5.18 The TSB recalled that a proper implementation of the Arrangement included the need for timely notifications, in accordance with the provisions of Articles 3 and 4 and in reply to the Body's requests for information under Article 11.

ANNEXReport 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.