

GENERAL AGREEMENT ON

TARIFFS AND TRADE

RESTRICTED

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Special Distribution

Textiles Surveillance Body

REPORT OF THE TEXTILES SURVEILLANCE BODY
TO THE TEXTILES COMMITTEE

1990

Attached is a report by the Textiles Surveillance Body on its activities during the period 1 July 1989 to 31 July 1990.

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.

CLOSING DATE:
31 JULY 1990

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Chapter 1 **Introductory remarks**

1.1 Under Article 10:4 of the Arrangement Regarding International Trade in Textiles, the Textiles Surveillance Body is required to submit a report to the Textiles Committee in order to assist the Committee in its annual review of the operation of the Arrangement. This report also fulfils the requirements of Article 11, paragraph 12, of the MFA.

1.2 This report covers the period 1 July 1989 to 31 July 1990. The previous report, prepared for the Major Review of the Arrangement as extended by the 1986 Protocol, was submitted to the Textiles Committee in 1989 and covered the period 1 August 1986 to 30 June 1989.

1.3 After the introductory remarks contained in this Chapter, the notifications received and reviewed by the TSB are summarized in Chapter 2, and the TSB observations and recommendations on these notifications are given in Chapter 3. The addendum to the report sums up the restrictions in tabular form.

(i) **Status of acceptances of the Arrangement as extended by the 1986 Protocol**

1.4 By 31 July 1990, the Arrangement as extended by the 1986 Protocol has been accepted by the following forty participants: Argentina, Austria, Bangladesh, Brazil, Canada, China, Colombia, Costa Rica, Czechoslovakia, Dominican Republic, EEC, Egypt, El Salvador, 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.

(ii) **Membership of the TSB**

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

1.6 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.

1.7 The composition of the TSB during the period 1 July to 31 December 1989 continued to be the Chairman and eight members. Following its decision of 26 April 1989, as modified by its decision of 20 July 1989,¹ the Textiles Committee agreed that "with effect from 1 January 1990 and for the remaining period of the 1986 Protocol, the Textiles Surveillance Body shall consist of a Chairman and ten members."

¹COM.TEX/60 and 61

1 July to 31 December 1989

<u>Member</u>	<u>Alternate</u>
Mr. John Gero (Canada)	Mr. Otto Wentzel (Norway) (replaced by Amb. Stanislaw Patek (Sweden) from 10 October 1989)
Mr. Piergiorgio Mazzocchi (EEC) (replaced by Ms. Danièle Smadja (EEC) from 18 September 1989)	Mr. Gérard Boisnon (EEC)
Mr. Maamoun Abdel-Fattah (Egypt)	Mr. Munir Ahmad (Pakistan)
Amb. Darry Salim (Indonesia) (replaced by Amb. Hassan Kartadjoemena (Indonesia) from 1 November 1989)	Mr. Ahmad Pharmacy (Malaysia)
Mr. Tadatsuna Koda (Japan)	Mrs. Naoko Saiki (Japan)
Mr. Hyuck Choi (Korea)	Mr. James H. Lau (Hong Kong)
Mr. Alejandro de la Peña (Mexico)	Mr. Joao Carlos Parkinson de Castro (Brazil)
Mr. Robert E. Shepherd (United States)	-

1 January 1990-31 July 1990

<u>Member</u>	<u>Alternate</u>
Mr. Joao Carlos Parkinson de Castro (Brazil)	Ms. Ana-Maria Deustua (Peru)
Mr. John Gero (Canada)	Mr. Johannes Potocnik (Austria)
Mr. Wu Jiahuang (China)	Mr. Vasile Radu (Romania) (replaced by Ms. Wanda Rosa (Macao) from 1 July 1990)
Ms. Danièle Smadja (EEC)	Mr. Gérard Boisnon (EEC)
Mr. James H. Lau (Hong Kong)	Mr. Hyuck Choi (Korea)
Amb. Hassan Kartadjoemena (Indonesia)	Mr. Ahmad Pharmacy (Malaysia) (replaced by Miss Yong Siew Min (Singapore) for the meeting of 30-31 May 1990)
Mr. Tadatsuna Koda (Japan) (replaced by Mr. Yoji Ishimaru (Japan) from 30 May 1990)	Mrs. Naoko Saiki (Japan)
Mr. Munir Ahmad (Pakistan)	Mr. Cüneyt Elker (Turkey)
Amb. Stanislaw Patek (Sweden)	Mr. Kim Luotonen (Finland)
Mr. Robert E. Shepherd (United States)	-

(iii) Basic activities of the TSB

1.8 During the period covered by this report the TSB held ten meetings. Its activities may be classified as (a) review of agreements and/or modifications notified under Articles 3 or 4; (b) dispute cases brought under Article 3:5 and/or Article 11:4 and paragraph 8 of the 1986 Protocol; (c) notifications under Article 2:4 or Article 11 on the status of restrictions maintained by participating countries.

(a) Review of agreements and/or modifications notified under Articles 3 or 4

1.9 The TSB continued to use its procedures laid down in COM.TEX/SB/35 to review the bilateral agreements, modifications or extensions thereof notified under Articles 3 or 4. After its review, the TSB forwarded the texts of the notifications to the Textiles Committee.

(b) Dispute settlement

1.10 The TSB received several notifications of (i) unilateral measures taken under Article 3:5; (ii) matters referred under Article 11:4; and (iii) extension of a restraint pursuant to paragraph 8 of the 1986 Protocol of Extension.

1.11 In all cases of dispute, before formulating its recommendations, the TSB, as required by Article 11, paragraph 6, 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.

1.12 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.

(c) Status of restrictions maintained by participating countries

1.13 In order to fulfil its obligation under Article 11:2 the TSB invited all participating countries to report on the status of restrictions maintained by them. In considering these reports received under Article 11, or where relevant under Article 2:4, the TSB bore in mind the relevant provisions of the MFA and the rights and obligations of participating countries which are contracting parties under GATT. The texts of the notifications have been forwarded to participating countries.

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 I.

(iv) General observation on restraints agreed in the absence of trade

1.14 At its ninth meeting of 1989, held on 18-19 September, the TSB considered the fact that it had reviewed under MFA IV a number of notifications which included agreed restraints on products of which there were no exports. Such restraints were often explained as features of a solution negotiated under Article 4:3 to the satisfaction of the respective parties. In its rôle of supervising the implementation of the Arrangement, the TSB felt it should express its preoccupation with such features and with the possibility of a proliferation of restraints in the absence of trade. The TSB, therefore, exhorted all participating countries to avoid such proliferation and to abide strictly by the provisions of the Arrangement (COM.TEX/SB/1503).

(v) Reports of the TSB

1.15 The notifications discussed by the TSB, together with its conclusions or recommendations, continued to be reported regularly to the Textiles Committee in the COM.TEX/SB/- series of documents.

Chapter 2: Notifications reviewed by the TSB

2.1 Notifications which the TSB reviewed during the period covered by this report have been summarized below. A tabular list of these notifications is found at the end of this Chapter. Observations and recommendations of the TSB on these notifications are contained in Chapter 3.

A. Notifications of disagreements

2.2 Notifications listed in this Section include: (a) unilateral measures taken under Article 3; (b) matters referred under Article 11; (c) reports concerning recommendations made by the TSB prior to the period covered by this report (see paragraph 2.13).

(i) Unilateral measures taken under Article 3, paragraph 5

2.3 The TSB received notifications of fourteen unilateral measures taken under Article 3, paragraph 5. These concerned the following participants:

United States: Bangladesh, Guatemala, Thailand, Turkey.

2.4 Agreed solutions were found before the TSB review of the measures taken against imports of Bangladesh and Turkey. The TSB also agreed to defer its examination of the case concerning imports from Guatemala.

United States/Bangladesh

2.5 In February 1990 the TSB received a notification from the United States of unilateral measures taken under Article 3:5 with respect to imports of cotton and man-made fibre pyjamas and nightwear (Category 351/651) and trousers of silk blends and of vegetable fibres other than cotton (Category 847) for the period 30 July 1989 to 29 July 1990.

United States/Guatemala

2.6 The United States notified in July 1989 a unilateral measure taken under Article 3:5 on imports from Guatemala of cotton trousers (Category 347/348) for the period 26 April 1989 to 25 April 1990.

United States/Thailand

2.7 Measures taken under Article 3:5 with respect to imports from Thailand concerned the cases listed below:

- cotton trousers (Category 347/348) and wool trousers (Category 448) for the period 1 January to 31 December 1989;
- cotton and man-made fibre blouses (Category 341/641) and man-made fibre knit shirts (Category 638/639) for the period 31 March 1989 to 30 March 1990;

- trousers of silk blends and/or of vegetable fibres other than cotton (Category 847) for the period 26 May 1989 to 25 May 1990;
- cotton sheeting (Category 313) and cotton printcloth (Category 315) for the period 31 March 1989 to 30 March 1990;
- poplin and broadcloth of cotton (Category 314) and poplin and broadcloth of man-made fibre (Category 614) for the period 30 October 1989 to 29 October 1990;
- cotton and man-made fibre dresses (Category 336/636) for the period 31 October 1989 to 30 October 1990;
- cotton and man-made fibre woven shirts (Category 340/640), cotton and man-made fibre sleepwear (Category 351/651) and cotton sheets (Category 361) for the period 28 March 1990 to 27 March 1991;
- man-made fibre bags (Category 669-p) for the period 27 February 1990 to 26 February 1991.

2.8 The above measures were notified: in September 1989 (Categories 347/348, 448, 341/641, 638/639, 847); in February 1990 (Categories 313 and 315); in March 1990 (Categories 314, 614, 336/636); in June 1990 (Categories 340/640, 351/651, 361 and 669-p).

United States/Turkey

2.9 In April 1990 the United States notified a unilateral measure taken under Article 3:5 on imports from Turkey of cotton and man-made fibre pyjamas and nightwear (Category 351/651) for the period 29 November 1989 to 28 November 1990.

(ii) Matters referred under Article 11, paragraph 4

Thailand/United States

2.10 Several matters were referred by Thailand under Article 11:4. In each case reference was made to the request of consultations made by the United States under Article 3:3. These cases are listed below:

- in October 1989: cotton sheeting (Category 313), cotton printcloth (Category 315), wool sweaters (Category 445/446) and man-made fibre twill and sateen fabrics (Category 628);
- in March 1990: carded cotton yarn (Category 300pt) and cotton sweaters (Category 345);

- in May 1990: spun polyester yarn (Category 604pt), man-made fibre bags (Category 669-P), cotton and man-made fibre woven shirts (Category 340/640), cotton and man-made fibre pyjamas and other nightwear (Category 351/651) and cotton sheets (Category 361). At the same time Thailand had also referred to the unilateral measures still in application by the United States (see paragraph 2.7).

(iii) Unilateral renewal of restraint under paragraph 8 of the 1986 Protocol of Extension

United States/Thailand

2.11 In May 1990, the TSB received a notification from the United States that in the absence of agreement with Thailand on the renewal of an agreed restraint on man-made fibre knit shirts (Category 638/639) for a further twelve-month period, it had invoked the provisions of paragraph 8 of the 1986 Protocol of Extension to extend the restraint for the period 31 March 1990 to 30 March 1991 at a level 3 per cent above the previous restraint level (see paragraphs 3.15 and 3.16 below).

(iv) Report received under Article 11, paragraph 8

United States/Thailand

2.12 In May 1990, the TSB received a notification from the United States under Article 11:8 reporting its inability to follow the TSB recommendation¹ on the unilateral restraint imposed on cotton and man-made fibre dresses (Category 336/636) when imported from Thailand (see paragraphs 3.20 to 3.22).

(v) Reports on measures reviewed by the TSB prior to the period covered by the present report

United States/Thailand

2.13 In accordance with its recommendations made in May 1989 (COM.TEX/SB/1485) the TSB received reports from Thailand and the United States on the results of their consultations relating to the unilateral measures applied by the United States on imports from Thailand of cotton sweaters (Category 345), cotton towels (Category 363), cotton dish towels (Category 369-D) and cotton and polyester blended yarn (Category 301pt/607pt). Both parties reported they had been unable to find agreed solutions.

¹For the TSB recommendation see Chapter 3, paragraph 3.12.

B. Notifications of agreements

(i) Reviewed under Article 3, paragraph 4

2.14 The TSB received notification of one bilateral agreement concluded under Article 3. This concerned the United States and Thailand.

2.15 The agreement covered man-made fibre knit shirts and blouses (Category 638/639) for the period 31 March 1989 to 30 March 1990, and man-made fibre trousers, slacks and shorts (Category 647/648) for the period 31 October 1989 to 30 October 1990. The restraints were set at the minimum levels required under Annex B of the MFA.

(ii) Received under Article 3, paragraph 8

2.16 The TSE received a notification under Article 3:8 of an agreement between the United States and Thailand of restraints for a further twelve-month period, ending on 30 March 1991, on cotton sheeting (Category 313) and cotton printcloth (Category 315). The limits agreed for the extended period were set at levels 6 per cent above the previous restraint levels.

(iii) Received under Article 4

2.17 The TSB received and reviewed thirty-five notifications under Article 4 of ten bilateral agreements and twenty-five extensions and/or modifications of agreements. These concerned the following participants:

Austria:	Hong Kong, Thailand, Turkey
Canada:	Bangladesh, Romania
EEC:	Pakistan, Thailand
Finland:	China
Norway:	Pakistan
Sweden:	Hong Kong, Indonesia, Macao, Sri Lanka
United States:	Bangladesh, Brazil, China, Hong Kong, Hungary, Jamaica, Macao, Malaysia, Mexico, Peru, Romania, Singapore, Sri Lanka, Turkey, Yugoslavia.

2.18 As in the report for the Major Review in 1989, the notifications are summarized below under the following headings: (a) validity, product coverage, products under restraint; (b) changes in base levels; (c) annual growth rates; (d) flexibility provisions; (e) upward adjustment of quotas; (f) consultation provisions; (g) additional access.

(a) Validity, product coverage, products under restraint

2.19 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 have fallen 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 12:1, with some under restraint and others subject to consultations; (d) products falling within Article 12:1, together with some which fall within the definition of paragraph 24 of the 1986 Protocol, with some under restraint and others subject to consultations.

2.20 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. Since a large number of notifications listed below consisted of modifications of agreements, the paragraphs below should be read together with Section C in Chapter 4 of the report submitted in 1989 to the Textiles Committee for the Major Review of the Arrangement (COM.TEX/SB/1490).

Austria

2.21 Austria notified three agreements (Hong Kong, Thailand, Turkey). The agreement with Turkey was the first concluded between the parties. The agreement with Thailand replaced an export surveillance system.

2.22 Validity:

- 1 May 1989-31 December 1991: (Thailand);
- 1 January 1990-31 December 1991: (Turkey);
- 1 February 1990-31 January 1993: (Hong Kong);

in one agreement (Turkey) there is the possibility of a twelve-month extension.

2.23 Product coverage:

- reduced: Hong Kong (one);
- added: Thailand; in the export surveillance agreement only two products were covered; in the restraint agreement coverage was increased to eight clothing categories;

in the new agreement with Turkey the coverage was two product categories.

2.24 Categories under restraint:

- liberalized: Hong Kong (one);
- new restraints: Thailand (two); Turkey (two).

Canada

2.25 Canada notified one agreement (Romania) and two amendments (Bangladesh, Romania).

2.26 Validity:

1 January 1987-31 December 1991 (Romania); the amendment of the agreement with Romania was valid from 1 January 1988; 1 January 1988-31 December 1989 (Bangladesh).

2.27 Product coverage:

- reduced: Romania;
- unchanged: Bangladesh.

2.28 Categories under restraint:

- liberalized: Romania ("group" limit on several clothing items);
- added: Romania (three);
- unchanged: Bangladesh;

in the amendment of the Romania agreement under which the group limit was liberalized, previous group sub-limits were converted into specific restraints.

EEC

2.29 The EEC notified amendments to its agreements with Pakistan and Thailand.

2.30 Validity:

- 1 January 1989-31 December 1991: Pakistan;
- 7 July 1989-31 December 1991: Thailand.

2.31 Product coverage:

- unchanged: Pakistan; Thailand.

2.32 Categories under restraint:

- added: Pakistan (one regional); Thailand (one regional).

Finland

2.33 Finland notified an amendment of its agreement with China which extended two one-year limits for the whole agreement period.

2.34 Validity:

- 1 January 1989-31 December 1990.

2.35 Product coverage: reduced by the elimination of wool products.

2.36 Categories under restraint:

Specific limits on two categories were merged into one limit.

Norway

2.37 Norway notified a new agreement concluded with Pakistan; previously, there was no agreement between the parties.

2.38 Validity:

- 1 January 1988-31 December 1991.

2.39 Product coverage and categories under restraint:

- eight product categories.

Sweden

2.40 Sweden notified bilateral agreements concluded with Hong Kong, Indonesia, Macao, Sri Lanka.

2.41 Validity:

- 1 September 1987-31 August 1992: Hong Kong;
- 1 January 1988-31 December 1992: Indonesia;
- 1 January 1988-31 March 1993: Macao;
- 1 August 1988-31 July 1993: Sri Lanka.

2.42 Product coverage

- reduced: all agreements.

2.43 Rest Group terminated: Macao, Sri Lanka.

2.44 Categories under restraint:

- liberalized: babies' garments (all agreements);
- liberalized: Hong Kong (one part category and three categories); one category for the last two agreement periods; Indonesia (one); Macao (two part categories); Sri Lanka (one);
- added: Indonesia (one).

United States

2.45 The United States notified an agreement with Turkey and modifications and/or extensions of its agreements with Bangladesh, Brazil, China, Hong Kong, Hungary, Jamaica, Macao, Malaysia, Mexico, Peru, Romania, Singapore, Sri Lanka, Turkey and Yugoslavia.

2.46 Adjustments resulting from the adoption of the Harmonized Commodity Code: of the notifications listed above, several concerned modifications made in the United States textile categorization and consequent adjustments to restraint levels (Brazil, China, Hong Kong, Malaysia, Mexico, Peru, Romania, Singapore, Sri Lanka, Yugoslavia).

2.47 Details of other notifications are outlined in the following paragraphs.

2.48 Validity:

- 1 October 1987-31 December 1989: (Yugoslavia);
- 1 January 1989-31 December 1989: (Romania);¹
- 1 July 1988-30 June 1991: (Turkey);
- 1 January 1989-31 December 1991: (Hungary, Macao, Mexico);
- 1 January 1988-31 December 1992: (Jamaica);
- 1 February 1989-31 January 1992: (Bangladesh).

2.49 Product coverage:

- unchanged: all modifications, except those listed below;
- added: Hungary (one); Yugoslavia (three); Turkey (twelve); these three agreements continued to be selective.

¹Subject to extension

2.50 Categories under restraint:

- liberalized: Bangladesh (one);
- added: Hungary (one); Jamaica (one merged); Turkey - fabric group and eleven categories or merged categories, plus one merged category under an amendment; Yugoslavia (three).

2.51 Designated Consultations Levels:

- introduction of designated consultation levels: Jamaica (four);
- conversion of minimum consultation level to designated consultation level: Macao (one).

2.52 Guaranteed Access Levels or Special Régime

Modifications concerning products assembled from fabrics formed and cut in the United States were made in the agreements with Jamaica and Mexico:

- introduction of guaranteed access levels: Jamaica (four);
- merger of specific limits under the Special Régime: Mexico (two);
- conversion of specific limits under Special Régime (SR) into designated consultation levels under SR: Mexico (two).

(b) Changes in base levels

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

Austria

2.54 Base level increases over previous restraint or reference levels were:

- higher than 6 per cent: Hong Kong (all four); Thailand (one);
- at 6 per cent: Thailand (one);
- based on the evolution of trade: Turkey (two).

Canada

2.55 Base level increases over previous restraint or reference levels were:

- higher or substantially higher than 6 per cent: Romania (eleven);
- less than 6 per cent: Romania (two).

EEC

2.56 Base level increases of the two new regional restraints on imports from Pakistan and Thailand were substantially higher than the threshold levels and took into account the recent evolution of trade.

Finland

2.57 The base level of the merged category in the agreement with China was higher than 6 per cent over the sum of the two previous specific limits.

Norway

2.58 Base level increases of all restraints in the new agreement with Pakistan were in all eight cases substantially higher than 6 per cent over the relevant reference levels.

Sweden

2.59 Base level increases in the agreements concluded by Sweden were:

- less than 6 per cent in all cases: Hong Kong, Indonesia, Macao, Sri Lanka.

United States

2.60 Base level increases over previous restraint or reference levels were:

- higher or substantially higher than 6 per cent: Bangladesh (all); Hungary (one); Jamaica (one); Turkey (all except three); Yugoslavia (three);
- at 6 per cent: Turkey (three).

(c) Annual growth rates

2.61 The following paragraphs give the annual growth rates on the restraints contained in the agreements or modifications.

Austria

2.62 The growth rates in the bilateral agreement with Hong Kong, and in agreements concluded for the first time with Thailand and Turkey were as follows:

- at 6 per cent: Hong Kong (two);
- lower than 6 per cent: Hong Kong (two); Thailand (two); Turkey (two).

2.63 Growth rates in the agreement with Hong Kong were higher than in the previous agreement.

Canada

2.64 In the agreement with Romania as amended, growth rates were at 6 per cent in nine cases and lower than 6 per cent in six cases. Where applicable, these rates were unchanged from the previous agreement in five cases and higher in three cases.

EEC

2.65 Growth rates for the regional restraints notified by the EEC were at 6 per cent (Thailand) and lower than 6 per cent (Pakistan).

Finland

2.66 The extension of two specific limits as one merged limit for a two-year period in the agreement with China provided for a growth rate lower than 6 per cent.

Norway

2.67 In the first agreement between Norway and Pakistan the growth rates for all eight restraints were lower than 6 per cent.

Sweden

2.68 In each of Sweden's agreements with Hong Kong, Indonesia, Macao and Sri Lanka, the growth rates were higher than in the previous agreements and increased annually, but in all cases remained lower than 6 per cent.

United States

2.69 The growth rates under the amendments of the United States agreements with Bangladesh, Hungary, Jamaica and Yugoslavia were in all cases set at 6 per cent. In the agreement with Turkey growth rates were set at less than 6 per cent (two) and at 6 per cent (all other cases). Where applicable, these rates were unchanged from the previous agreement. Under the amendment of the agreement with Turkey, growth was set substantially higher than 6 per cent for the second agreement period and at 6 per cent for the last agreement year.

(d) Flexibility provisions

2.70 In general, the flexibility provisions in the agreements, as outlined in COM.TEX/SB/1490, applied to new restraints introduced under amendments thereof. The paragraphs below are therefore limited to giving the flexibility provisions contained:

- (i) in new agreements; or
- (ii) in amendments, where they differ from the provisions of the agreements.

Austria

2.71 Swing was available at 5 per cent in all cases in Austria's agreements with Hong Kong, Thailand and Turkey.

2.72 Carryover and carry forward were set at:

- 11 plus 6 per cent (Turkey);
- 11/6 per cent (Hong Kong, Thailand).

2.73 In the agreement with Hong Kong which had the same provisions in the previous agreement, carryover from and carry forward into the last period of the previous agreement, were possible.

Canada

2.74 Swing was available at:

- 6 per cent: Romania (all categories except one);
- 5 per cent: Romania (one).

2.75 Carryover and carry forward were set at 11/6 per cent (Romania).

2.76 A cumulative use of flexibility was set in the agreement with Romania at:

- 11 per cent: two cases, and 12 per cent: all other cases.

2.77 No swing was available between the clothing and non-clothing categories. The flexibility provisions were more advantageous to Romania than in the previous agreement.

2.78 Under an amendment to the agreement with Bangladesh, Canada agreed to extraordinary carryover of entire unused 1988 quotas into the 1989 agreement year.

EEC

2.79 The flexibility provisions of the agreements with Pakistan and Thailand applied to the new restraints.

Finland

2.80 For the restraint extended for two years in the agreement with China, swing was set at 5 per cent and carryover/carry forward were available at 10/5 per cent.

Norway

2.81 In the new agreement with Pakistan, swing was available at:

- 5 per cent: (three categories);
- 3 per cent: (three categories);
- 1 per cent: (one category).

2.82 Carryover/carry forward in this agreement were:

- 8/4 per cent: (all categories except one);
- 4/2 per cent: (one category).

2.83 A cumulative use of flexibility was limited to 8 per cent (all cases except one) and 4 per cent (one case).

Sweden

2.84 In the agreements concluded by Sweden, which provided improved flexibility provisions, swing was available at:

- 5 per cent: Hong Kong (five categories), Macao (five categories);
- 3 per cent: all categories in the agreements with Indonesia and Sri Lanka and other categories in the agreements with Hong Kong and Macao.

2.85 Carryover and carry forward were set at:

- 5 plus 5 per cent: Hong Kong (five categories), Macao (five categories);
- 3 plus 3 per cent: all categories in the agreements with Indonesia and Sri Lanka and other categories in the agreements with Hong Kong and Macao.

2.86 A cumulative use of flexibility was set at:

- 10 per cent: Hong Kong (five categories); Macao (five categories);
- 6 per cent: all categories for Indonesia and Sri Lanka and other categories in the agreements with Hong Kong and Macao.

United States

2.87 Swing was set at 7 per cent in the agreement with Turkey, at 6 per cent (cotton and/or man-made fibre) and 5 per cent (wool) for the new restraints introduced in the agreement with Yugoslavia.

2.88 Carryover/carry forward were set at 11/6 per cent (Turkey, Yugoslavia).

2.89 Additional swing possibilities were available to certain categories (Bangladesh, Yugoslavia). Automatic use of flexibility was agreed under a modification (Mexico).

(e) Upward adjustment of quotas

2.90 Under certain amendments, a few existing limits were adjusted upwards. These concerned:

- two restraints in the Canada/Romania agreement; in one case the increase also included an adjustment resulting from changes in classification;
- one specific limit and five guaranteed access levels were increased in the United States/Jamaica agreement;
- the Aggregate and Group limits and a consultation level were increased in the United States/Macao agreement, consequent to the adoption of the Harmonized Commodity Code by the United States.

(f) Consultation provisions

Thailand/Norway

2.91 Thailand notified that the consultation provision in its agreement with Norway had been amended by the deletion of the last paragraph of Article 14 of the agreement. During its review of the agreement, the TSB had found that this paragraph was in contradiction with Article 3 therein (COM.TEX/SB/1490, paragraph 5.165).

(g) Additional access

2.92 In the agreement between Canada and Romania additional access was available in all clothing categories, as five children's and infants' garments would be counted as three quota units. The same facility was available in the Sweden/Hong Kong agreement for up to 6 per cent of the relevant quotas.

(iv) Received under Articles 7 and/or 8

(a) Notifications concerning participants

2.93 Certain notifications were received by the TSB which concerned participating countries. All such notifications were made by Austria and concerned export surveillance and/or consultation agreements with Egypt, Japan and Malaysia. These agreements concerned one or several products. The agreement with Egypt replaced a restraint agreement which had expired on 31 December 1988.

(b) Notifications concerning non-participants

2.94 Several notifications were received pursuant to the request made by the Textiles Committee that agreements concluded with, or actions taken against non-participants be notified. These concerned:

- a modification of the bilateral agreement between Canada and Bulgaria;
- an agreement concluded by the United States with the Union of Soviet Socialist Republics for the period 1 January 1990 to 31 December 1992;
- amendments of the United States agreements with Burma, the German Democratic Republic, Haiti, Mauritius and Nepal.

C. Notification under Article 2, paragraph 4

China

2.95 In July 1989 the TSB received a notification under Article 2:4 from China on the status of restrictions maintained by it on imports of textile products. This notification was made in response to a request made by the TSB for complete information on the status of restrictions maintained by China on textiles and textile products, and the relationship of the measures to the evolution of the textile industry. The notification stated that no changes had taken place since the previous notifications sent in September 1987 and September 1988; regarding the various factors affecting imports into China, reference was made to document Spec(88)13/Add.4.

D. Notifications under Article 11, paragraphs 11, 12 and 2

2.96 Pursuant to the provisions of Article 11, paragraphs 11 and 12, the TSB annually requests participants to report on the status of restrictions maintained by them under Article 11:11, 11:12 and 11:2. Since the report presented to the Textiles Committee for the Major Review in 1989, the TSB received some further replies to the request for information made in 1989. These have been summarized below:

- Austria notified that all restrictions maintained by it had already been notified and reviewed by the TSB;
- Colombia listed the products subject to prior import licensing for balance-of-payments reasons;
- Egypt stated its restrictions were maintained under GATT's Article XVIII;
- Macao notified it maintained no restrictions;
- Mexico reported no changes since the liberalization notified in its previous report;
- the Philippines notified that the liberalization programme undertaken by it at the consultations with the GATT Balance of Payments Committee had been completed, and that it now maintained no restrictions on imports of textile products;
- Switzerland had no change in its régime for textile products;
- in response to a recommendation on the ban introduced by Thailand on certain textile imports (see paragraph 3.45 below), the TSB was informed by Thailand that the ban had been abolished from 23 March 1990, and the products were now subject to automatic import licensing.

2.97 The TSB has still not received the clarifications it sought from Czechoslovakia.

2.98 In April 1990, the Chairman, at the request of the TSB, invited all participating countries to report under Article 11, paragraphs 11, 12 and 2.

2.99 By the closing date of this report the TSB received replies from Costa Rica, Finland, Hong Kong, Singapore, Switzerland, Turkey and Uruguay. These replies have been summarized below:

- Costa Rica, Hong Kong, Singapore and Uruguay reported they continued to maintain no restrictions on imports of textile products; Uruguay added that it does not maintain any type of foreign exchange controls, nor does it control imports for development needs or through privileged public or private trading enterprises;

- Finland notified that no change had occurred in the status of its restrictions since its previous notification;
- Switzerland notified no changes in its import régime governing textile products: no quantitative restrictions were maintained, but automatic licensing requirement continued to apply to certain imports;
- Turkey notified that the prior authorization requirement on certain products notified in 1989 no longer applied under the new "1990 Import Régime".

Actions and Measures/Bilateral Agreements and Modifications Reviewed
During the Period 1 July 1989-31 July 1990

Importing country	Exporting country	Validity	COM.TEX/SB/-
<u>Measures reviewed/or referred under Articles 3:5 and 11:4</u>			
<u>UNITED STATES</u>	Bangladesh	30.7.89-29.7.90	1530, ¹ 1531 ¹
	Guatemala	26.4.89-25.4.90	1492, 1503 ¹
	Thailand ²	1.1.89-31.12.89 } 31.3.89-30.3.90 } 26.5.89-25.5.90 } 30.10.89-29.10.90 } 31.10.89-30.10.90 }	1503, 1523, 1530, 1531, 1544
		27.2.90-26.2.91 } 28.3.90-27.3.91 }	1547
	Turkey	29.11.89-28.11.90	1542, 1544 ¹
<u>Renewal of restraint under paragraph 8 of the 1986 Protocol</u>			
<u>UNITED STATES</u>	Thailand	31.3.90-30.3.91	1542, 1544
<u>Report notified under Article 11:8</u>			
<u>UNITED STATES</u>	Thailand	31.10.89-30.10.90	1542, 1544, 1547
<u>Bilateral agreements under Article 3:4</u>			
<u>UNITED STATES</u>	Thailand	(N) 31.3.89-30.3.90 31.10.89-30.10.90	1543
<u>Extension of restraints under Article 3:8</u>			
<u>UNITED STATES</u>	Thailand	(E) 31.3.90-30.3.90	1532

¹A bilateral solution superseded the measure.

²The dates given concern unilateral measures introduced under Article 3:5 and not references made under Article 11:4 to requests for consultations.

Importing country	Exporting country		Validity	COM.TEX/SB/-
<u>Notifications under Article 4</u>				
<u>AUSTRIA</u>	Hong Kong	(N)	1.2.90-31.1.93	1534
	Thailand	(N)	1.5.89-31.12.91	1495
	Turkey	(N)	1.1.90-31.12.91	1527
<u>CANADA</u>	Bangladesh	(M)	1.1.88-31.12.89	1504
	Romania	(N)	1.1.87-31.12.91	1526
		(M)	1.1.88-31.12.91	1526
<u>EEC</u>	Pakistan	(M)	1.1.89-31.12.91	1505
	Thailand	(M)	7.7.89-31.12.91	1496
<u>FINLAND</u>	China	(M+E) ¹	1.1.89-31.12.90	1491
<u>NORWAY</u>	Pakistan	(N)	1.1.88-31.12.91	1502
	Thailand	(M)	1.1.87-31.12.90 ²	1546
<u>SWEDEN</u>	Hong Kong	(N)	1.9.87-31.8.92	1545
	Indonesia	(N)	1.1.88-31.12.92	1533
	Macao	(N)	1.1.88-31.3.93	1524
	Sri Lanka	(N)	1.8.88-31.7.93	1528
<u>UNITED STATES</u>	Bangladesh	(E)	1.2.89-31.1.92	1536
	Brazil	(M)	1.1.89-31.3.92	1506
	China	(M)	1.1.89-31.12.91 ²	1511
	Hong Kong	(M)	1.1.89-31.12.91	1507
	Hungary	(M)	1.1.89-31.12.91	1501
	Jamaica	(M+E)	1.1.88-31.12.92	1497
	Macao	(M)	1.1.89-31.12.91	1498, 1499

¹The bilateral agreement was transmitted under Articles 7 and 8 as China was not participating in the MFA at the time of review.

²Subject to a one-year extension.

Importing country	Exporting country		Validity	COM.TEX/SB/-
<u>Notifications under Article 4 (cont'd)</u>				
<u>UNITED STATES</u>	Malaysia	(M)	1.1.89-31.12.91	1508
(cont'd)	Mexico	(M)	1.1.89-31.12.91	1509, 1515, 1537
	Peru	(M)	1.1.88-30.4.89	1512
	Romania	(M)	1.1.89-31.12.89 ¹ 1.1.89-31.12.89	1517
	Singapore	(M)	1.1.88-31.12.90	1513
	Sri Lanka	(M)	1.1.89-30.6.92	1510
	Turkey	(N)	1.7.88-30.6.91	1494
		(M)	30.9.88-30.6.91	1535
	Yugoslavia	(M)	1.10.87-31.12.89	1500, 1514
<u>Notifications under Articles 7 and/or 8</u>				
<u>AUSTRIA</u>	Egypt	(C)	1.1.89-	1538
	Japan	(C)	1.9.78-	1539
	Malaysia	(C)	1.10.78-	1540
<u>CANADA</u>	Bulgaria	(M)	1.11.88-31.12.91	1529
<u>UNITED STATES</u>	Burma	(M)	1.1.89-31.12.90	1519
	German, Dem. Rep.	(M)	1.1.87-31.12.89	1520
	Haiti	(M)	1.1.87-31.12.89	1521
	Mauritius	(M)	1.4.86-30.9.90	1518
	Nepal	(M)	1.10.85-31.12.90	1522
	USSR	(N)	1.1.90-31.12.92	1541

¹Subject to extension to 31 December 1992.

N: New Agreement
M: Modification of agreement
E: Extension of agreement
C: Consultation agreement

Chapter 3: Observations by the TSB

3.1 During the period covered by this report the TSB made a general observation on the introduction of restraints under the MFA, but not related to any particular notification or notifications; this observation is contained in Chapter 1, paragraph 1.14. The present Chapter contains observations made by the TSB on specific notifications.

A. Observations on notifications of disagreements

(i) On Article 3:5 measures; matters referred under Article 11:4; extension of restraint under paragraph 8 of the 1986 Protocol

United States/Bangladesh

3.2 In response to the Body's invitation to Bangladesh and the United States to assist in the review of unilateral measures taken under Article 3:5 by the United States on certain imports from Bangladesh, (see paragraph 2:5 above) the TSB was informed by both parties that they had found agreed solutions at consultations held in mid-February. The TSB took note of the information and understood that these agreed solutions would be notified for review in due course (COM.TEX/SB/1531).

United States/Guatemala

3.3 With respect to the unilateral measure taken by the United States on imports of cotton trousers from Guatemala (see paragraph 2.6 above), the TSB was requested by Guatemala to defer the examination of the measure, in view of further bilateral consultations scheduled shortly. Since the United States was in agreement with the request, the TSB agreed to defer its examination, on the understanding that it might revert to the matter at the request of either party or on its own initiative (COM.TEX/SB/1503). The TSB was later informed that an agreement had been reached between the parties and would be notified to the Body in due course.

United States/Thailand

3.4 As outlined in paragraphs 2.7 and 2.8, the TSB received notification of several measures taken under Article 3:5 by the United States on imports from Thailand. Furthermore, Thailand referred under Article 11:4 the matters listed in paragraph 2.10. In addition, the TSB also received reports from Thailand and the United States on cases reviewed before the period covered by this report (see paragraph 2.13). Finally, the United States also extended a restraint under paragraph 8 of the 1986 Protocol (see paragraph 2.11). The paragraphs below give the TSB conclusions and recommendations on all these cases.

3.5 In October 1989 the TSB received (a) reports from Thailand and the United States that the consultations recommended by the TSB on Categories 345, 363, 369-D and 301pt/607pt were inconclusive;

(b) notification from the United States of Article 3:5 measures on Categories 347/348, 448, 341/641, 638/639 and 847 when imported from Thailand, and (c) a notification from Thailand under Article 11:4 referring requests for consultations made by the United States under Article 3 with respect to Categories 313, 315, 445/446 and 628.

3.6 The TSB heard a statement from Thailand that a resolution of the thirteen categories in the Article 3 consultations had not been possible due to certain elements introduced into the negotiations by the United States relating to the conclusion of a comprehensive bilateral agreement with aggregate and group limits.

3.7 The two delegations affirmed their willingness to resume consultations under Article 3 on all the thirteen categories, on a case by case basis. The United States delegation also affirmed that in these consultations the United States would not attach any pre-condition to the resolution of the thirteen categories. In view of these statements the TSB did not find it necessary to examine the occurrence of market disruption at that stage.

3.8 The TSB, in view of the elements outlined above, and in particular the statement made by the United States in paragraph 3.7 above, recommended that the parties resume as soon as possible consultations under Article 3 on all the categories concerned, with the strict aim of finding agreed solutions for them, and report back to it (COM.TEX/SB/1523).

3.9 In February 1990 the TSB received reports on the results of the consultations, held in January 1990. The TSB noted that the parties had reached agreement with respect to Categories 638/639 (man-made fibre knit shirts) and 647/648 (man-made fibre trousers), but could not find solutions with respect to the other categories subject to these consultations. The TSB understood that the agreement reached would be notified in due course. (COM.TEX/SB/1530). The agreement was reviewed by the TSB in May 1990 (COM.TEX/SB/1544).

3.10 In March 1990, the TSB reverted to all the other cases which had not been resolved between the United States and Thailand. These concerned disagreement on Categories 313 and 315 (both placed under restraint by the United States after the TSB review in October 1989) and on Categories 341/641 and 847. As to Category 628, the United States reported that Thailand had been informed that the United States could not impose a restraint on this category and would allow the request for consultations to lapse on 30 March 1990.

3.11 The TSB also examined the unilateral measures taken by the United States under Article 3:5 on Categories 314, 614 and 336/636. Furthermore, the TSB considered the requests for consultations on Categories 300 part and 345, referred by Thailand under Article 11:4.

3.12 After its review, the TSB reached the following conclusions:

- (i) market disruption had not been demonstrated with respect to Categories 336/636, 341/641 and 847, and the Body recommended that the restraints imposed be terminated;
- (ii) market disruption had been demonstrated with respect to Categories 313, 315 and 345; the TSB agreed that the level of restraint indicated for Category 345 needed to be adjusted in accordance with paragraph 1 (b) of Annex B;
- (iii) with regard to Categories 314 and 614, the TSB recommended that the parties hold consultations and report back to it no later than 30 April 1990;
- (iv) with regard to Category 300pt, the TSB noted that the available information, in particular the presentation by both parties on United States production data, did not lead to a clear-cut finding on the existence of market disruption and recommended that the parties consult and report back to it on the result of such consultations no later than 30 April 1990 (COM.TEX/SB/1531).

3.13 At its meeting held in May 1990 the TSB considered reports received from both Thailand and the United States that consultations on Categories 314, 614 and 300part had not resulted in any agreement.

3.14 With respect to the TSB conclusions contained in paragraph 3.12(i) above the United States informed the TSB that it had allowed the restraint on cotton and man-made fibre blouses (Category 341/641) to lapse on 30 March 1990 and rescinded the restraint on silk blend and non-cotton vegetable trousers (Category 847). On Category 336/636 the United States made a notification under Article 11:8 (see paragraphs 3.20 to 3.22 below). The United States also reported that it had rescinded the request for consultations on cotton sweaters (Category 345), for which the Body had found market disruption (see paragraph 3.12(ii)), because of subsequent changes in the market situation for that Category.

3.15 The TSB also considered the extension of the restraint on man-made fibre knit shirts (Category 638/639) notified by the United States under paragraph 8 of the 1986 Protocol; the previous agreed restraint on this category had expired on 30 March 1990 (see paragraph 2.15). Furthermore, Thailand had referred under Article 11 all the above cases as well as the United States requests for consultations under Article 3:3 on imports of single spun polyester yarn (Category 604pt), man-made fibre bags (Category 669-P), cotton and man-made fibre woven shirts (Category 340/640), cotton and man-made fibre pyjamas and other nightwear (Category 351/651) and cotton sheets (Category 361).

3.16 During its review of the cases, at which delegations from both parties assisted, Thailand informed the TSB that it would accept restraints on Categories 314 and 614 at the respective rollback levels, and the United States informed that it would accept the Thai proposal that the restraint level on Category 638/639 for a further one-year period be 6 per cent higher than the base level and that it would withdraw the request for consultations on Category 604pt. Finally, the TSB was informed of the willingness of both parties to consult further on Categories 300pt and 669-P.

3.17 After hearing both parties, the TSB paid particular attention to the progress outlined in the paragraph above, which led it to conclude that in their bilateral consultations the parties had not exhausted all possibilities; it therefore recommended that they resume consultations on all pending cases, i.e. Categories 300pt, 340/640, 351/651, 361 and 669-P, bearing in mind the requirements of Article 3 and Annex A as well as the importance of co-operation and equity necessary to a fair implementation of the Arrangement. The TSB asked the parties to report to it on the result of their consultations as soon as possible (COM.TEX/SB/1544). At its meeting of 30 July 1990, the TSB was informed by the parties that they had held one round of consultations and intended to consult further in mid-August. The TSB decided to await the results of these consultations.

3.18 With respect to Article 3:5 measures taken by the United States on Categories 340/640, 351/651, 361 and 669-P both parties proposed to the Body that it defer its examination of the cases, in view of bilateral consultations scheduled for mid-August. The TSB agreed to the proposal, on the understanding that it may revert to the matter at the request of either party or on its own initiative (COM.TEX/SB/1548).

United States/Turkey

3.19 Before its examination of the unilateral measure taken by the United States on imports of Category 351/651 from Turkey (see paragraph 2.9 above), the Body was informed that after consultations the parties had found a bilateral solution which replaced the unilateral measure. The TSB therefore did not find it necessary to pursue the matter; it understood the agreed solution would be notified in due course (COM.TEX/SB/1544).

(ii) On report made under Article 11:8

3.20 As mentioned above, in May 1990 the United States reported under Article 11:8 its inability to follow the TSB recommendation on the unilateral restraint it had imposed on cotton and man-made fibre dresses (Category 336/636) when imported from Thailand (see paragraph 3.12(i) above). The TSB heard presentations from both parties and received additional information and explanation from the United States on the accuracy of the United States production data.

3.21 The TSB noted that both parties had, in the light of the previous finding of the Body and the subsequent developments in the market for both parties, expressed willingness to consult with a view to reaching a mutually acceptable solution. The TSB recommended that they do so. It also asked the parties to report back on the results of these consultations in time for the Body's meeting on 27-29 June 1990 (COM.TEX/SB/1544).

3.22 When Thailand and the United States reported on consultations they had held relating to this matter, the TSB noted that though the consultations had been initiated, they had not yet yielded an agreed solution. The TSB therefore urged Thailand and the United States to continue these consultations with a view to reaching a definitive solution, and report back before 1 August 1990. The TSB was informed by both parties that in consultations scheduled for mid-August they intended to discuss Category 336/636 (COM.TEX/SB/1548).

B. Observations on notifications of agreements

3.23 All notifications of bilateral agreements notified under Article 3 or Article 4 were, after their review, transmitted to the Textiles Committee. The following paragraphs contain observations made by the TSB. In certain cases the TSB took note of statements made by participants relating to the relevant notifications; these have been noted below.

(i) Notification reviewed under Article 3:4

3.24 The TSB noted that in the one-year bilateral agreement concluded under Article 3 between the United States and Thailand the restraint levels were set at the relevant rollback levels (COM.TEX/SB/1544).

(ii) Notification under Article 3:8

3.25 During its review of the agreed extension under Article 3:8 of two restraints between the United States and Thailand for an additional one-year period ending on 30 March 1991, the TSB recalled that it had already reviewed the initial restraints imposed under Article 3:5 for the period 31 March 1989 to 30 March 1990 (COM.TEX/SB/1542).

(iii) Notifications under Article 4

(a) Notifications transmitted without any specific observations

3.26 Notifications of some amendments and/or extensions of bilateral agreements concluded under Article 4 were transmitted to the Textiles Committee without any specific observations. These concerned: Canada - Bangladesh (COM.TEX/SB/1523); EEC - Thailand (COM.TEX/SB/1503); United States - Bangladesh, Hungary, Jamaica, Mexico, Turkey, Yugoslavia (COM.TEX/SB/1503, 1523, 1542).

(b) New restraints and real risk of market disruption

3.27 At its meeting of 18-19 September 1989, the TSB made a general observation on restraints agreed in the absence of trade. The text of this general observation is contained in Chapter 1, paragraph 1.14.

3.28 The TSB made reference to this observation after its review of the agreement between the United States and Turkey (COM.TEX/SB/1503).

(c) Aggregate and Group Limits

3.29 During its review of the agreement between the United States and Turkey the TSB took into account its observations, as contained in COM.TEX/SB/1490, paragraphs 3.37 to 3.39, on the consistency of aggregate and group limits with the provisions of the MFA.

3.30 The TSB noted that in an amendment of the agreement between the United States and Macao the Group I and Aggregate limits were increased as a consequence of changes made to take account of the adoption of the new textile category system resulting from the implementation of the Harmonized Commodity Code by the United States, effective on 1 January 1988 (COM.TEX/SB/1503).

(d) Growth and flexibility provisions

(i) In the overall context of the agreement

3.31 During its review of the agreement between Austria and Turkey the TSB heard a statement by Austria that the lower than Annex B levels for growth and swing had been agreed in the overall context of the agreement (COM.TEX/SB/1530).

3.32 Canada made a statement to the TSB that the lower than Annex B levels for growth and flexibility provisions had been agreed in the overall context of its agreement with Romania as amended (COM.TEX/SB/1530). In the amendment of the Finland/China agreement, the TSB noted that the compound growth rate was more than 6 per cent (COM.TEX/SB/1492).

(ii) Annex B, paragraph 2; paragraph 12 of the 1986 Protocol

3.33 During its review of the Norway/Pakistan agreement the TSB noted that Norway had made reference to paragraph 2 of Annex B and to paragraph 12 of the 1986 Protocol of Extension with respect to the growth rates and the flexibility provisions (COM.TEX/SB/1503). Sweden also made similar references concerning the growth and flexibility provisions contained in its agreements with Hong Kong, Indonesia, Macao and Sri Lanka (COM.TEX/SB/1525, 1530, 1542, 1547).

(iii) Annex B, paragraphs 2 and 5

3.34 With respect to the growth and swing provisions in the agreement between Austria and Thailand, the TSB received a statement from Austria in which reference was made to paragraphs 2 and 5 of Annex B of the MFA (COM.TEX/SB/1503).

3.35 During its review of the amendment of the EEC/Pakistan agreement, the TSB heard a statement from the EEC that the less than 6 per cent growth rate was agreed in view of this being an exceptional case in terms of Annex B of the Arrangement (COM.TEX/SB/1523).

(e) Paragraph 18 of the 1986 Protocol of Extension

3.36 With respect to several notifications of amendments of agreements (United States - Brazil, China, Hong Kong, Malaysia, Mexico, Peru, Romania, Singapore, Sri Lanka, Yugoslavia) concerning modifications in the textile categorization and consequent changes in limits resulting from the implementation of the Harmonized Commodity Code by the United States, the TSB understood that these amendments were negotiated taking into account paragraph 18 of the 1986 Protocol of Extension (COM.TEX/SB/1523).

(f) Consultation provisions

3.37 During its review of the agreement between Austria and Hong Kong, the TSB took note that Hong Kong may request consultations with a view to modifying the agreement for the last agreement period to take into account the international arrangement for trade in textile products which would succeed or replace the MFA (COM.TEX/SB/1542).

3.38 With respect to the amendment of the consultation provisions in the Norway/Thailand agreement, the TSB recalled that during its review of the agreement, it had found the paragraph to be in contradiction with Article 3 of the agreement and had urged the parties to amend the agreement so as to rectify the situation at an early date.¹

(g) Timely notification of agreements

3.39 During its review of the Sweden/Hong Kong agreement, the TSB noted that the agreement had been in effect for over two years, and reiterated the importance of timely notification of agreements in accordance with the provisions of Article 4:4 (COM.TEX/SB/1547). The TSB noted that a number of cases of late notification by other countries had also occurred.

¹COM.TEX/SB/1467 and 1485

C. Observations on report made under Article 2:4

China

3.40 In September 1989 the Body completed its review of a notification received from China on the status of restrictions maintained on imports of textile products. The notification, which added no new information, stated that no changes had taken place since the last two notifications, sent to the Body in September 1987 and September 1988, respectively, and, regarding the various factors affecting imports into China, made reference to document Spec(88)13/Add.4.

3.41 The TSB felt, as it did on the occasion of its previous reviews of China's notifications, that it still was not able to determine whether or not all restrictions maintained by China were in conformity with the Arrangement.

3.42 It decided, nevertheless, to transmit the notification to participating countries, for their information. It also decided to reiterate, in the request for information it would send to China in 1990, that information as full and clear as possible should be given on all points raised by the TSB in its several requests made since 1984.

3.43 The TSB understood that the decision to transmit the notification to the Textiles Committee was without prejudice to the completion of its review of China's notifications under Article 2:4 and to the ongoing consultations in the Working Party on China's status as a contracting party (COM.TEX/SB/1503).

D. Observations on notifications reviewed under Article 11

3.44 In considering its obligations under Article 11, the TSB took into account the restrictions it had reviewed under Articles 3 and 4, as well as the replies received to the requests made under Article 2:4 and Article 11, paragraphs 11, 12 and 2. The TSB observations on restrictions notified under Article 3 and 4, as well as the report made under Article 2:4, are given in the preceding paragraphs of this Chapter.

3.45 With respect to the ban introduced in December 1988 on certain imports by Thailand (see paragraph 5.188 of COM.TEX/SB/1490), the TSB sought certain clarifications on the measure. In November 1989 Thailand stated that the measure had been taken pursuant to paragraph 2 of Article 8 of the MFA. The TSB noted that Thailand had not reported holding any bilateral consultations with any of the participants involved in the alleged circumvention. The Body was of the opinion that this ban could not be justified under Article 8:2 or other provisions of the MFA; it therefore recommended that Thailand review the situation and, unless the measure could be modified to be brought into conformity with the MFA, or justified under the GATT, terminate it. The TSB asked Thailand to report back to it no later than 28 February 1990 (COM.TEX/SB/1525). In April 1990, the TSB was informed that the ban had been replaced by automatic licensing for the same products (COM.TEX/SB/1542).

3.46 Two other participants notified liberalization of restraints:

- the Philippines completed the liberalization programme undertaken with the GATT Balance-of-Payments Committee;
- Turkey liberalized the prior authorization requirement on certain textile products, under its 1990 Import Régime.

3.47 With respect to the reply received from Switzerland, the TSB recalled its opinion as to the conditioning of licensing to certain minimum price margins in the case of some products from certain participants.¹

3.48 The TSB noted that certain participants continued not to apply any restrictions on their imports: Costa Rica, Hong Kong, Singapore and Uruguay.

3.49 In view of the fact that very few reports under Article 11 were received since the report for the Major Review, the TSB was of the opinion that the Textiles Committee should read this section together with Section D of Chapter 5 of COM.TEX/1490, in order to get a fuller appreciation of the status of restrictions maintained by participants under the MFA as extended by the 1986 Protocol.

¹See COM.TEX/SB/1316, paragraphs 6.9 and 6.10