

# GENERAL AGREEMENT ON

## TARIFFS AND TRADE

RESTRICTED

COM.TEX/SB/1793

28 August 1992

Special Distribution

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### Textiles Surveillance Body

#### REPORT OF THE SIXTH MEETING (1992)<sup>1</sup>

1. The Textiles Surveillance Body held its sixth meeting of 1992 on 22-24 July.
2. Mr. Mohan Kumar (India) was appointed to succeed Mr. Sajjanhar. Mr. Buencamino and Mr. Kumar appointed Mr. Malino Pangaribuan (Indonesia) and Mr. Maamoun Abdel-Fattah (Egypt) as their alternates, respectively. Mr. Wang appointed Ms. Wanda Rosa (Macau) as his alternate for the second half of the year.
3. Present at this meeting were the following members and/or alternates: Messrs. Buencamino/Pangaribuan, Donaghy, Ishimaru, Kumar/Abdel-Fattah, Prates/Ms. Deustua, Mr. Shepherd, Ms. Smadja, Messrs. Wang, Wentzel, Wong/Kang.
4. The report of the fifth meeting has been circulated in COM.TEX/SB/1771.

#### Notifications under Article 4

##### EEC/Thailand

5. The TSB received a notification from the EEC of an extension of its agreement with Thailand for the period 1 January to 31 December 1992.
6. The provisions of the agreement with respect to restraint levels, including categories under restraint remained unchanged. The 1992 levels were increased over 1991 levels by the applicable growth rates. The flexibility provisions remained unchanged, except that the inter-regional transfer was increased to 40 per cent.
7. After its review, the TSB agreed to transmit the notification to the Textiles Committee. (COM.TEX/SB/1772)
8. The TSB also received a notification from the EEC of an amendment of its agreement with Thailand. A Community limit was agreed on cotton yarn (Category 1) for the period 4 February to 31 December 1992.

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

9. The base level was much higher than the basket exit level and took account of the recent development in imports from Thailand. Growth was set at 3 per cent, in case of an extension of the agreement. The flexibility provisions of the agreement applied.

10. After its review, the TSB agreed to transmit the notification to the Textiles Committee. (COM.TEX/SB/1773)

Norway/Romania

11. The TSB received a notification from Norway of an extension with amendments of its agreement with Romania for the period 1 January 1992 to 31 December 1993.

12. Under this extension as amended:

- a) the product coverage and products under restraint were modified by the exclusion of one product category (woven shirts for men and boys) and the inclusion of another product category (knotted nets and netting);
- b) the base levels of the three previously restrained categories were substantially higher than the 1991 levels; the base level of the newly restrained category was substantially higher than the 1991 imports;
- c) a growth rate of 3 per cent applied to all restraints; previously the applicable growth rate was 1 per cent;
- d) swing at 3 per cent and carryover at 10 per cent were higher than the previous provisions; carry forward remained unchanged at 5 per cent;
- e) the limit on the cumulative use of flexibility was eliminated.

13. With respect to the growth and swing provisions for the newly restrained category, Norway made reference to Article 1, paragraph 2, and Annex B, paragraph 2 of the Arrangement.

14. After its review, the TSB agreed to transmit the notification to the Textiles Committee. (COM.TEX/SB/1774)

Norway/Czech and Slovak Federal Republic

15. The TSB received a notification from Norway of an extension with amendments of its bilateral agreement with the Czech and Slovak Federal Republic for the period 1 July 1992 to 31 December 1993.

16. Under this extension as amended:

- a) the product coverage was modified by the exclusion of a previously restrained category (woven shirts for men and boys)

and by the inclusion of a product category (knotted nets and netting);

- b) the new category was made subject to a designated consultation level with an annual growth rate of 3 per cent;
- c) the base levels of the three previously restrained categories were substantially higher than the previous levels;
- d) the growth rate for all restraints was increased from 1 to 3 per cent;
- e) swing and carryover at 3 and 10 per cent, respectively, which were higher than the previous provisions also applied to the designated consultation level; carry forward remained unchanged at 5 per cent;
- f) the limit on the cumulative use of flexibility was eliminated.

17. After its review, the TSB agreed to transmit the notification to the Textiles Committee. (COM.TEX/SB/1775)

United States/Bangladesh

18. The TSB received a notification from the United States of an extension with amendments of its agreement with Bangladesh, valid for the period 1 February 1992 to 31 January 1995, which superseded the restraint levels in force from the agreement year 1992/93 on.

19. Under this extension with amendments:

- a) the product coverage was increased by three categories to twenty categories or merged categories; the three newly added categories were placed under restraint;
- b) all previous restraints were maintained, and their variable periods of validity extended to 31 January 1995; three sub-limits were eliminated;
- c) the base levels of the new specific limits for 1991/92 were set at levels substantially higher than the relevant rollback levels, and their levels for 1992/93 were increased by more than 6 per cent; the base levels of previously existing restraints for 1992/93 were increased by 10 per cent;
- d) the annual growth rate for all categories for the subsequent periods (i.e., 1993/94 and 1994/95) was set at 7 per cent; for the previously restrained categories, the growth rate had been 6 per cent;

- e) swing was increased from 6 to 7 per cent; more categories or merged categories could benefit from the additional swing possibilities;
- f) carryover/carry forward remained unchanged at 11/6 per cent.

20. After its review, the TSB agreed to transmit the notification to the Textiles Committee. (COM.TEX/SB/1776)

United States/Brazil

21. The TSB received a notification from the United States of an extension of its agreement with Brazil for the period 1 April 1992 to 31 March 1993, with provision for a further extension to 31 March 1994.

22. The product coverage, categories under restraint, growth and flexibility provisions remained unchanged.

23. After its review, the TSB agreed to transmit the notification to the Textiles Committee. (COM.TEX/SB/1777)

United States/Colombia

24. The TSB received a notification from the United States of a bilateral agreement concluded with Colombia for the period 1 January 1992 to 31 December 1993. The previous agreement between the parties had expired on 31 March 1990.

25. In this agreement, which covers two product categories, both under restraint, the base levels were substantially higher than the relevant rollback levels. Growth was set at 6 per cent; swing at 7 per cent and carryover/carry forward at 11/6 per cent.

26. After its review, the TSB agreed to transmit the notification to the Textiles Committee. (COM.TEX/SB/1778)

United States/Costa Rica

27. The TSB received a notification from the United States of a selective agreement concluded with Costa Rica for the period 1 January 1992 to 31 December 1993.

28. This agreement replaced two memoranda of understanding<sup>2</sup> under which three merged categories were subject to specific limits with growth at 6 per cent and to guaranteed access levels, up to 31 May 1992.

29. In the agreement:

- a) the product coverage was limited to one category and three merged categories;
- b) previous restraints on three categories were maintained and a new restraint was agreed on a wool category;
- c) the base levels over previous specific limits were 6 per cent higher than previous limits in two cases and more than 6 per cent higher in one case; the base level of the new specific limit was more than 6 per cent higher than the rollback level;
- d) the growth rates were 6 per cent for three categories and 1 per cent for the wool category;
- e) swing was possible at 7.5 per cent for one category and at 7 per cent for other categories;
- f) carryover/carry forward was available at 11/6 per cent;
- g) the previous guaranteed access levels continued at the same levels in two cases and at a higher level in one case; a

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<sup>2</sup>The TSB was given the following information: The first memorandum of understanding concerned one merged category and was valid for the period 1 June 1989 to 31 May 1991. A specific limit at a level much higher than the rollback level was set for the first twelve-month period. For the second period, the parties agreed on a specific limit at a lower level and a guaranteed access level; the sum of both was higher than the limit for the first period. The growth rate for the specific limit was set at 6 per cent.

Under the second memorandum of understanding, the above-mentioned specific limit and the guaranteed access level were extended for one year. In addition, an understanding was reached with respect to two merged categories. A designated consultation level was agreed for one of them for the period 1 January to 31 May 1989, followed by a specific limit with growth at 6 per cent and a guaranteed access level, both for the period 1 June 1989 to 31 May 1992; their sum was higher than the designated consultation level. For the other merged category, a specific limit with growth at 6 per cent and a guaranteed access level were agreed for the period 1 June 1989 to 31 May 1992. In both cases access for the base period was higher than the relevant rollback levels.

guaranteed access level was provided for the wool category placed under specific limit.

30. After its review, the TSB agreed to transmit the notification together with the texts of the two memoranda of understanding mentioned in paragraph 28, to the Textiles Committee. (COM.TEX/SB/1779)

United States/Czech and Slovak Federal Republic

31. The TSB received a notification from the United States of two extensions with modifications of its agreement with the Czech and Slovak Federal Republic. The first extension covered the period 1 June 1989 to 31 May 1992; the second extension covered the period 1 June 1991 to 31 May 1993, superseding the first extension from 1 June 1991.

32. Under the first extension:

- a) the product coverage was increased from two to six wool product categories, all placed under restraint, two of them as a merged category;
- b) the base levels of the two existing restraints were increased over previous levels by 6 per cent in one case and by 2.2 per cent in the other; the base levels of the three new specific limits were less than 6 per cent higher than the rollback level in one case and more or substantially more than 6 per cent in the other two cases;
- c) the growth rates, set in all cases at 1 per cent, were unchanged in the case of the previously restrained categories;
- d) swing and carryover/carry forward remained unchanged at 5 and 11/6 per cent.

33. In the second extension;

- a) one category of the merged category and another category were liberalized;
- b) the base levels for the 1991/92 agreement year were substantially higher than the levels for the previous year;
- c) the growth rates remained unchanged;
- d) swing was increased to 7 per cent; carryover/carry forward remained unchanged at 11/6 per cent.

34. After its review, the TSB agreed to transmit the notification to the Textiles Committee. (COM.TEX/SB/1780)

United States/Egypt

35. The TSB received a notification from the United States of an extension of its agreement with Egypt for the period 1 January 1992 to 31 December 1993.

36. This extension included a category (shop towels) which had been placed under restraint from 1 January 1991, at a level higher than the agreed reference level, with a growth rate of 6 per cent. All previous specific limits were maintained, except that the base level for a sub-limit was increased substantially over the previous level; the growth and flexibility provisions remained unchanged.

37. After its review, the TSB agreed to transmit the notification to the Textiles Committee. (COM.TEX/SB/1781)

United States/Hungary

38. The TSB received a notification from the United States of an amendment of its agreement with Hungary. The restraint levels were adjusted with effect from the 1988 agreement year. These adjustments, which resulted from the application of the Harmonized System by the United States, were applicable for the period ending 31 December 1991.

39. The TSB received a further notification from the United States of an extension with amendments of its bilateral agreement with Hungary for the period 1 January 1992 to 31 December 1993.

40. Under this amended extension:

- a) the product coverage was reduced from fourteen to eight categories, thus providing for the liberalization of restraints on six categories or merged categories;
- b) the base levels of the remaining restraints were increased by substantially more than 6 per cent over previous levels, except for two categories, where the increase was 6 per cent for one and less than 6 per cent for the other;
- c) the growth rates remained unchanged at 1 per cent for the wool categories and 6 per cent for the non-wool category;
- d) swing was increased from 5 to 7 per cent;
- e) carryover/carry forward remained unchanged at 11/6 per cent, with carryover available for the 1992 and 1993 agreement years and carry forward available for 1992.

41. With respect to the first notification, the TSB noted the delay in notification and reiterated the importance of timely notification in accordance with Article 4:4.

42. After its review, the TSB agreed to transmit the notifications to the Textiles Committee. (COM.TEX/SB/1782 and 1783)

United States/Indonesia

43. The TSB received a notification from the United States of an amendment of its agreement with Indonesia. In April 1992, a restraint was agreed on wool suits for men and boys (Category 443) for the period 1 July 1991 to 30 June 1992.

44. The base level was substantially higher than the reference level. Swing was available at 5 per cent. The United States agreed that the whole twelve-month limit could be implemented during the nine-month period 1 October 1991 to 30 June 1992.

45. During its review, the TSB recalled that Indonesia had referred under Article 11:4 the United States request for consultations on this category, but had subsequently requested the Body to defer its review in view of ongoing consultations. Later, Indonesia and the United States<sup>3</sup> informed the Body that a mutually satisfactory solution had been found.

46. The TSB also received a notification from the United States of an agreement concluded with Indonesia for the period 1 July 1992 to 30 June 1994.

47. Under this agreement:

- a) the product coverage remained unchanged;
- b) three restraints were liberalized; certain categories under restraint were merged, with unified limits; four new restraints were introduced;
- c) due to the elements mentioned in (b) above, some categories moved from Group II to Group I, with consequent adjustment to the Group II limit;
- d) the base levels of previously restrained categories were increased by the applicable growth rates or by more than such rates, except in one case, where there was a reduction; the base levels of most new specific limits were substantially higher than the relevant rollback levels; in two cases there were no previous exports;
- e) growth rates remained unchanged from the previous agreement, with 10 per cent for the Group II limit, 6 per cent for restraints on non-wool categories and 1 per cent for the wool categories;
- f) the flexibility provisions remained unchanged, with swing at 5 or 7 per cent and carryover/carry forward at 11/6 per cent;

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<sup>3</sup>See COM.TEX/SB/1724, 1728 and 1748.



- g) special swing was provided between certain categories;
- h) additional access for certain traditional folklore products was provided for certain categories for up to 5 per cent of the limits.

48. During its review, the TSB gave attention to the fact that restraints on two categories were agreed in the absence of previous trade. The Body was informed by the United States and Indonesia that the restraints had been introduced at the request of Indonesia in order to take into account the future development of trade in these categories which could be better accommodated in Group I than under the Group II limit. The parties informed the Body that they had agreed to these limits under Article 4:2 of the MFA.

49. The TSB was of the opinion that the parties had given an extreme interpretation to Article 4:2 and that its<sup>4</sup> general observation on restraints agreed in the absence of trade<sup>4</sup> was also applicable to this case.

50. After its review, the TSB agreed to transmit the notifications to the Textiles Committee. (COM.TEX/SB/1784 and 1785)

United States/Macau

51. The TSB received a notification from the United States of an extension of its agreement with Macau for the period 1 January 1992 to 31 December 1993. The terms of the agreement, including product coverage, categories under specific limits or designated consultation levels, growth and flexibility provisions, remained unchanged.

52. After its review, the TSB agreed to transmit the notification to the Textiles Committee. (COM.TEX/SB/1786)

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<sup>4</sup>The TSB has 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, exhorts all participating countries to avoid such proliferation and to abide strictly by the provisions of the Arrangement. (COM.TEX/SB/1503, paragraph 10)

United States/Malaysia

53. The TSB received a notification from the United States of an extension with modifications of its agreement with Malaysia for the period 1 January to 31 December 1992.

54. Under this modified extension:

- a) the product coverage was increased by the inclusion of certain non-apparel products made of fibres falling under Paragraph 24 of the 1986 Protocol of Extension;
- b) the categories under restraint remained unchanged;
- c) the 1992 levels were increased over the 1991 levels by the applicable growth rates;
- d) the flexibility provisions of the agreement applied, except that special carry forward was available between 1991 and 1992 for two merged categories.

55. After its review, the TSB agreed to transmit the notification to the Textiles Committee. (COM.TEX/SB/1787)

United States/Pakistan

56. The TSB received a notification from the United States of an extension with modifications of its bilateral agreement with Pakistan. The agreement was extended for the period 1 January to 31 December 1992, with provision for a further extension to 31 December 1993.

57. Under this modified extension:

- a) the product coverage remained unchanged;
- b) restraints were introduced on three categories; four previously unrestrained categories, in three of which there was no trade, were merged with four categories under specific limits; four categories under restraint became two merged categories; one specific limit was split into two limits; one designated consultation level was converted into a specific limit; the Group II limit (cotton categories not under specific limit) was converted into a designated consultation level;
- c) the base levels of the new specific limits, or the newly merged restrained categories were more or substantially more than 6 per cent higher than the relevant reference levels or the rollback/previous restraint levels; the base levels of the other restraints were increased by the relevant growth rates;
- d) the designated consultation level for Group II was higher than the previous specific limit; the designated consultation levels on two categories remained unchanged;

- e) swing remained unchanged at 7 per cent, and also applied to the category for which previously there was no swing; no swing was possible out of one category (bar mops); additional swing was possible between some categories;
- f) carryover/carry forward remained unchanged at 11/6 per cent.

58. After its review, the TSB agreed to transmit the notification to the Textiles Committee. (COM.TEX/SB/1788)

United States/Romania

59. The TSB received a notification from the United States of an amendment of its wool and man-made fibre agreement with Romania. Designated consultation levels on two categories were converted into specific limits for the period 1 January 1992 to 31 December 1993.

60. The specific limits were set at levels substantially higher than the designated consultation levels, with the growth rate set at 1 per cent. Swing and carryover/carry forward were available at 5 and 11/6 per cent, respectively.

61. After its review, the TSB agreed to transmit the notification to the Textiles Committee. (COM.TEX/SB/1789)

United States/Mexico

62. The TSB received a notification from the United States of an extension with modifications of its bilateral agreement with Mexico for the period 1 January to 31 December 1992, with provision for a further twelve-month extension.

63. Under this modified extension:

- a) the product coverage remained unchanged;
- b) categories under specific limits and designated consultation levels remained unchanged; those under the "Special Régime" limits were increased by the addition of two merged categories; those under the "Special Régime" designated consultation levels remained unchanged;<sup>5</sup>
- c) the base levels of the specific limits were increased over the previous levels by the applicable growth rates, except in one case where the increase was substantially more than 6 per cent, and a second case where there was a marked reduction;

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<sup>5</sup> Products assembled in Mexico from fabrics wholly formed and cut in the United States may fall within the "Special Régime".

- d) all designated consultation levels remained unchanged;
- e) the growth rates, swing and carryover/carry forward provisions remained unchanged, except that for the fabric group sub-limits where swing was not previously possible, it was made available at 7 per cent; additional swing was provided between two specific limits.

64. After its review, the TSB agreed to transmit the notification to the Textiles Committee. (COM.TEX/SB/1790)

United States/Philippines

65. The TSB received a notification from the United States of an extension with modifications of its agreement with the Philippines and decided to revert to it at the next meeting.

Notifications under Articles 7 and 8

66. In accordance with the request made by the Textiles Committee that all agreements or restrictions relating to imports from non-participants be notified, the TSB received the following notifications from Canada:

- a) a further extension of the unilateral restraints on imports of certain clothing products from North Korea for the period 1 January to 31 December 1992; and
- b) restraints introduced for the period 15 June to 31 December 1992 on imports of certain clothing products from Cambodia, Laos, Oman, Qatar and Swaziland.

67. The TSB agreed to forward these notifications to the Textiles Committee for its information. (COM.TEX/SB/1791 and 1792)

Notifications under Article 11

Austria, Canada, EEC

68. The TSB received reports from Austria, Canada and the EEC in response to the request made by the Body for information under Article 11, paragraphs 11, 12 and 2, on the status of restrictions maintained by<sup>6</sup> participating countries on imports of textiles and textile products.

69. These reports, together with all other replies received from participants, will be transmitted in due course to the Textiles Committee.

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<sup>6</sup>See COM.TEX/SB/1680.

70. In this connection, the TSB noted that nineteen of the thirty-nine participants had not reported on the status of restrictions maintained by them. In December 1991, the TSB had requested participants to report under Article 11, or where appropriate, under Article 2.

71. The TSB, therefore, requested the Chairman to remind those participating countries of their obligations under Article 11 or under Article 2.

Matter reviewed under Article 11:5

Hong Kong/United States

72. In accordance with its request,<sup>7</sup> the TSB received reports from Hong Kong and the United States, that after consultations, a mutually acceptable solution had been found with respect to the categorization of certain garments under their bilateral agreement; the solution shall be notified to the Body as soon as a memorandum of understanding has been signed by the parties.

73. The TSB decided to await the notification of this memorandum of understanding.

Report of the TSB to the Textiles Committee

74. The TSB agreed on the outline of its report to the Textiles Committee.

Matter referred under Article 11:4 and 11:5

Brazil/United States

75. The TSB received a communication under Article 11, paragraphs 4 and 5 from Brazil, in which it referred a call made by the United States on imports of men's and boys' wool suits (Category 443) from Brazil.

76. The TSB decided to invite both governments to send delegations to present their respective cases at its next meeting.

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<sup>7</sup>See COM.TEX/SB/1771.