

**GENERAL AGREEMENT
ON TARIFFS AND TRADE**

RESTRICTED
COM.TEX/SB/1982
29 November 1994
Special Distribution

(94-2596)

Textiles Surveillance Body

REPORT OF THE EIGHTH MEETING (1994)¹

1. The Textiles Surveillance Body held its eighth meeting of 1994 on 8 November.
2. Present at this meeting were the following members and/or alternates: Messrs. Cheung/Lee, Fujioka, Prince, Munir, Saint-Jacques/Glantschnig, Sophastienphong/Pangaribuan, Tagliani, Vanerio/Prado, Wang and Wentzel.
3. The report of the seventh meeting has been circulated in COM.TEX/SB/1974.

Notifications under Article 4
United States/Macau

4. The TSB continued its review of a notification received from the United States of an extension with modifications of its agreement with Macau for the period 1 January 1994 to 31 December 1995.
5. Under this extension:
 - (a) the product coverage remained unchanged;
 - (b) the aggregate limit, as well as the Group I limit, were eliminated;
 - (c) new specific limits were introduced with respect to ten categories or combined categories;
 - (d) for these new specific limits, the growth rate was set at 4 per cent in three cases and 6.25 per cent in seven cases;
 - (e) the base levels for existing specific limits were increased by the applicable growth rates;
 - (f) designated consultation levels were agreed with respect to six categories or combined categories;
 - (g) flexibility provisions remained unchanged;
 - (h) new provisions with respect to circumvention were agreed.²

¹Two hundred and eighty-ninth meeting overall.

²See COM.TEX/SB/1910, paragraphs 19 to 22.

6. During its review, the TSB gave attention to the fact that restraints on four categories were agreed in the absence of previous trade, and that the growth rates applying to three of these categories were lower than 6 per cent. The Body was informed by the United States that these had been agreed in the context of the elimination of the aggregate limit, the Group I limit and all minimum consultation levels, and had taken into account the export potential of Macau.

7. The TSB was of the opinion that the parties had given an extreme interpretation to Article 4:2 and in this regard recalled its general observation on restraints agreed in the absence of trade,³ which was also applicable to this case.

8. The TSB was also of the view that the growth rates lower than six per cent in such cases were a serious departure from Annex B to the MFA. The TSB stressed that these provisions could only be contemplated in the context of the degree of access now provided for Macau's exports to the United States' market both of the products in question and overall, given the previous existence of an aggregate limit which had been fully utilized. The TSB noted that the consultation provisions in the agreement enabled the parties to review the situation prevailing at the time of the negotiation.

9. After its review, the TSB agreed to transmit this notification to the Textiles Committee. (COM.TEX/SB/1976)

United States/Sri Lanka

10. The TSB received a notification from the United States of an extension of its agreement with Sri Lanka for the period 1 July 1992 to 30 June 1994.

11. Under this extension:

- (a) the product coverage remained unchanged;
- (b) five additional categories were put under specific limit, and three new sub-limits were introduced, covering five part-categories; specific limits concerning eleven categories and three sub-categories were liberalized;
- (c) the base levels were increased by the applicable growth rates, except in seven cases where they were increased by more, or substantially more, than the applicable growth rates; an additional 5 per cent was made available for exports with respect to garments made of locally-woven, hand-loomed fabrics in three categories or merged categories;
- (d) the growth rates for categories previously under specific limit remained unchanged, except that they were reduced from 6 to 5 per cent in two cases and from 6 to 3 per cent in one case; the growth rates for the categories on which specific limits were introduced were set at 6 per cent for three categories and 5 per cent for two categories; sub-limits were given the same growth rate than their respective limit;

³The 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)

- (e) swing on cotton and man-made fibres categories was increased from 6 to 7 per cent and remained at 5 per cent for wool categories; special shift between categories or merged categories was made available in three cases; carryover and carry forward remained unchanged at 11/6 per cent;
- (f) a designated consultation level was introduced on one category.

12. After its review, the TSB agreed to transmit this notification to the Textiles Committee. (COM.TEX/SB/1977)

13. The TSB received a notification from the United States of a further extension of its agreement with Sri Lanka for the period 1 July 1994 to 30 June 1995.

14. Under this extension:

- (a) the product coverage remained unchanged;
- (b) five additional categories were put under specific limit and one sub-limit was liberalized;
- (c) the base levels were increased by less than the applicable growth rates, except in four cases where they were increased by more than the applicable growth rates;
- (d) the growth rates for categories previously under specific limit remained unchanged, except in two cases where they were reduced to 4 per cent, and in one case to 2 per cent; the growth rates for the five categories on which specific limits were introduced were set at 6 per cent in three cases, 5 per cent for one category and 1 per cent for one wool category; as in the previous extension, an additional 5 per cent was available for exports with respect to garments made of locally-woven, hand-loomed fabrics in three categories or merged categories;
- (e) swing remained unchanged at 7 per cent for cotton and man-made fibres categories and 5 per cent for wool categories; special shift between categories or merged categories was available in five cases; carryover and carry forward remained unchanged at 11/6 per cent;
- (f) a designated consultation level was deleted;
- (g) new provisions with respect to circumvention were agreed.⁴

15. After its review, the TSB agreed to transmit this notification to the Textiles Committee. (COM.TEX/SB/1978)

United States/Thailand

16. The TSB received a notification from the United States of an extension of its agreement with Thailand for the period 1 January 1994 to 31 December 1995.

⁴See COM.TEX/SB/1910, paragraphs 19 to 22.

17. Under this extension:

- (a) the product coverage remained unchanged;
- (b) five additional categories were subject to specific limit, and the three sub-limits of a merged category became specific limits as the limit on the merged category was removed;
- (c) the base levels for the specific limits were increased by the applicable growth rates, except in seven cases where they were increased by more than the applicable growth rates; the base level for the apparel group limit was increased by less than the applicable growth rate while one category was removed from the coverage of the group;
- (d) the growth rates for categories previously under specific limit remained unchanged; the growth rates for the categories on which new specific limits were introduced were set at 6 per cent for two categories, 5 per cent for one category and 1 per cent for two wool categories;
- (e) swing within Group II was increased to 7 per cent for non-wool apparel categories, and to 5 per cent for wool apparel categories; swing out of Group II was made available with respect to one category previously in Group II; special shift was available in three cases between categories or merged categories; swing for non-apparel specific limits and newly established specific limits remained unchanged at 7 per cent (5 per cent for wool categories); carryover and carry forward remained unchanged at 11/6 per cent;
- (f) new provisions with respect to circumvention were agreed.⁵

18. After its review, the TSB agreed to transmit this notification to the Textiles Committee. (COM.TEX/SB/1979)

Notification made under Article 4 and transmitted under Articles 7 and 8
United States/Lesotho

19. Under Article 4, the TSB received a notification from the United States of a bilateral agreement concluded with Lesotho for the period 1 December 1992 to 30 November 1994. Lesotho had participated in the MFA until 31 December 1993, but had not as yet accepted the 1993 Protocol maintaining the Arrangement in force. The TSB decided to transmit this notification for the information of participating countries under Articles 7 and 8. The Body understood that it would review this notification under Article 4, after the acceptance of the 1993 Protocol by Lesotho, at the request of either party involved in the notification. (COM.TEX/SB/1980)

Notification under Articles 7 and 8
Notification concerning non-participants
United States/Mauritius

20. The TSB received a notification from the United States of an agreement concluded with Mauritius for the period 1 October 1992 to 31 December 1995. The TSB is forwarding this notification for the information of participating countries. (COM.TEX/SB/1981)

⁵See COM.TEX/SB/1910, paragraphs 19 to 22.

Notification under Article 11

China

21. The TSB reverted to its consideration⁶ of China's notification, and agreed to request additional information with regard to this notification.

⁶See COM.TEX/SB/1974.