

**GENERAL AGREEMENT ON
TARIFFS AND TRADE**

RESTRICTED

COM.TEX/SB/742

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Special Distribution

Textiles Surveillance Body

ACTIVITIES OF THE TEXTILES SURVEILLANCE BODY

(21 September 1980 - 31 October 1981)

REPORT TO THE TEXTILES COMMITTEE BY THE TEXTILES SURVEILLANCE BODY

Attached is a report by the Textiles Surveillance Body on its activities during the period from 21 September 1980 to 31 October 1981.

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

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Introduction

1. Under Article 10:4 the Textiles Committee is required annually to review the operation of the Arrangement. The present report is submitted to assist the Committee in its review. It also fulfills the requirements of Article 11, paragraphs 11 and 12 under which the TSB is required to review all restrictions or bilateral agreements entered into by participating countries, and report annually its findings to the Textiles Committee.
2. The last report by the TSB submitted to the Committee was prepared for the major review of the operation of the Arrangement, and covered the period 1 January 1978 to 20 September 1980.
3. The present report covers the TSB's activities during the period 21 September 1980 to 31 October 1981.
4. The report is divided into two chapters:

Chapter I outlines all notifications reviewed and/or received by the TSB during the period covered by this report. These notifications include:

- A. reports received under Article 2, paragraphs 1 and 4;
- B. an interim measure under Article 3:6, and bilateral agreements or amendments of agreements under Article 4;
- C. bilateral agreements concluded with non-participating countries, and non-restrictive agreements concluded with participating countries, notified for information under Articles 7 and/or 8; and
- D. replies received from participating countries under Article 11, paragraphs 11 and 12.

Chapter II is devoted to the TSB's findings, observations and comments arising from its activities.

Membership of the Textiles Surveillance Body

5. Article 11.1 of the MFA provides for the establishment of the Textiles Surveillance Body, consisting of a Chairman and eight members appointed by the parties to the Arrangement. The Textiles Committee, bearing in mind that the membership of the TSB should be balanced and broadly representative of all participants, nominates each year the countries which designate the members. Importance has been attached to its members being designated ad personam. The members share with the Chairman the responsibility of

carrying out the TSB's functions as set out in the Arrangement. To secure continuity and efficiency in the work of the TSB, which is considered as a standing body, members may nominate alternates who could be eligible to serve as a full member in the event of the absence of the nominated member.

6. In accordance with the decision taken by the Textiles Committee at its meeting on 14 December 1977, Ambassador Paul Wurth continued in office as Chairman.

7. The membership of the TSB for the years 1980 and 1981 has been as follows:

	<u>1980</u>	
<u>Members</u>		<u>Alternates</u>
Mr. C.A. Rego Santos-Neves (Brazil)		Mr. A. Moerzinger (Uruguay)
Mr. J.R. Beck (EEC)		Mr. L. de Gouvion St. Cyr (EEC) (replaced by Mr. J. Scheele in December)
Mr. M. Pullinen (Finland)		Mr. R.J. Martin (Canada) (replaced by Mr. D.E. Hobson in October)
Mr. Safioen (Indonesia)		Mr. Kai Hean Seow (Singapore)
Mr. K. Kujirai (Japan)		Mr. T. Imai (Japan)
Mr. N.S. Park (Korea) (replaced by Mr. K.C. Lee in September)		Mr. T.H. Chau (Hong Kong)
Mr. M. Hamid (Pakistan) (replaced by Mr. M.A. Bajwa in March)		Mr. A. Hussain (India)
Mr. R.E. Shepherd (United States)		

	<u>1981</u>	
<u>Members</u>		<u>Alternates</u>
Mr. C.A. Rego Santos-Neves (Brazil)		Mr. S. Delgado (Mexico)
Mr. D.E. Hobson (Canada)		Mr. J. Scheele (EEC)
Mr. J.R. Beck (EEC)		Mr. D.M. McPhail (Hong Kong) (replaced by Mr. H. Hyun (Korea) in March)
Mr. T.H. Chau (Hong Kong)		Mr. M.A. Bajwa (Pakistan)
Mr. A. Hussain (India) (replaced by Mr. P.C. Jayaraman in October)		Mr. Siraj Haron (Malaysia)
Mr. Safioen (Indonesia)		Mr. T. Imai (Japan) (replaced by Mr. Y. Matsui in September)
Mr. K. Kujirai (Japan) (replaced by Mr. T. Sato in June)		
Mr. R.E. Shepherd (United States)		

Chapter I Notifications reviewed by the TSB

8. All notifications reviewed by the TSB during the period under consideration have been transmitted to the Textiles Committee in the COM.TEX/SB/- series of documents. Certain notifications which had been received, but not reviewed by the TSB before the last report, have been included in this section.

A. Notifications under Article 2

9. Notifications made to the TSB under Article 2 concerned: (a) existing quantitative restrictions maintained on acceptance of the Arrangement as required under paragraph 1; and (b) the status of restrictions maintained by participating countries, non-contracting parties to the GATT.

10. Notifications made on acceptance of the Arrangement:

For the period under review two countries which had accepted the Arrangement were required to submit reports on restrictions maintained by them as required under Article 2:1.

Czechoslovakia, which accepted the Arrangement and the Protocol of extension on 1 July 1980, has notified that it maintains no restrictions on textile imports, or any other measures which have a restrictive effect.

The Dominican Republic, which accepted the extended Arrangement in March 1979, has not as yet submitted any report on restrictions maintained by it on textile imports.

11. Status of restrictions maintained by MFA participants, non-contracting parties to GATT:

Article 2:2 requires that unless justified under GATT (including its Annexes and Protocols), restrictions should either be brought into conformity with the MFA or terminated. Bearing in mind Article 13:2 under which non-contracting parties to the GATT may accede to the MFA, and recognizing the need to establish a balance of rights and obligations between contracting and non-contracting parties in the fulfillment of Article 2:2, the TSB evolved a procedure for the review of restrictions maintained by non-contracting participants. This procedure which is set out in COM.TEX/SB/27, was first applied in relation to Mexico, and subsequently to other participants, non-contracting parties to GATT, (Bolivia and Thailand). On their accession to the Arrangement, Guatemala and El Salvador notified they maintained no restrictions.

After its review of the report submitted by Bolivia under Article 2:1, the TSB concluded that it was not at that stage required to remove its restrictions, and requested a further report by 1 January 1980. No such report has as yet been received.

Guatemala in its report, submitted under Article 11, has notified that there has been no change in its import régime.

After its review of the report submitted by Mexico under Article 2:1 in 1975, the TSB concluded that Mexico was not at that stage required to remove its restrictions, and requested periodic reports on its status of restrictions. The previous such reports had listed liberalized items. In the recent report submitted under Article 2:4 Mexico notified liberalization of twelve further items previously subject to prior licensing. These items liberalized in December 1980 include certain yarns (falling under CCCN 51.03), certain belts or belting (falling under CCCN 59.16) and some felts (falling under CCCN.59.17). Prior import permits were re-introduced in 1981 with respect to certain products of a luxury nature (carpets), and some other products (certain man-made fibre yarns), for balance-of-payments reasons. All cotton, wool and man-made fibre textile products fall under one-hundred and fifty-six sub-headings of the Mexican tariff schedule. Of these fifty-eight have been liberalized to date. The situation regarding items still subject to prior licensing, will be reviewed by Mexico in December 1981.

El Salvador in its report submitted under Article 11, stated that under a Government Decision dated 6 November 1980 and extended in 1981, imports of certain textile products considered as non-essential goods have been prohibited. The products affected are tarpaulins, tents, sails, etc., blankets, travelling rugs, etc., and certain household items.

Thailand has confirmed in its report submitted under Article 11 that restrictions on polyester fibre and nylon textured yarns were removed as of February 1979.

B. Notifications under Articles 3 and 4

12. During the period under review the TSB received one notification under Article 3 which concerned Finland and Sri Lanka. It also reviewed 103 notifications under Article 4. These concerned twenty-four new bilateral agreements between participating countries, and seventy-nine amendments, modifications or extensions of existing agreements. The participants involved are:

Austria : Hong Kong, Korea, Macao

Canada : India, Thailand

EEC : Argentina, Bangladesh, Brazil, Czechoslovakia, Egypt, Haiti, Hong Kong, Hungary, India, Indonesia, Korea, Macao, Malaysia, Pakistan, Peru, Philippines, Poland, Romania, Singapore, Sri Lanka, Thailand, Uruguay

Finland : Hong Kong, India, Macao, Romania, Sri Lanka

Sweden : Brazil, Hong Kong, India, Korea, Macao, Malaysia, Pakistan, Philippines, Singapore, Sri Lanka, Thailand, Yugoslavia

United States : Colombia, Haiti, Hong Kong, India, Korea, Malaysia, Mexico, Poland, Romania, Singapore, Sri Lanka, Thailand, Yugoslavia

13. The following paragraphs and the tables below summarize the notifications on a country-by-country basis. Any comments made by the TSB regarding these notifications are contained in Chapter II. Tables in the addendum of this report give additional data regarding base levels, growth and flexibility provisions contained in these notifications.

Article 3

Finland

14. Finland notified a provisional measure taken under Article 3.6, in which it requested Sri Lanka to co-operate on a bilateral emergency basis, pending consultations, to suspend exports of shirts to Finland as of 15 June 1981. Finland subsequently reported that following consultations, a bilateral agreement had superseded the measure. (See paragraph 30 below.)

Article 4

Austria

15. Austria notified a new agreement with Hong Kong, for the period 1 December 1980 to 31 January 1982. Three products of cotton and man-made fibres (shirts, blouses and trousers) which had been included in the previous agreement, valid until 31 January 1981, were included from 1 February 1981. A new product (dresses) was brought under restraint. A memorandum of understanding was included to make several clothing items subject to consultation.

16. The agreement with India on finished fabrics and miscellaneous products of cotton, woven blouses, shirts and bedlinen of cotton, was extended for a further twelve-month period, beginning 1 January 1982. The current agreement with Korea, valid until 31 July 1982, was modified by bringing coats of synthetic fibres, which had previously been subject to consultation, under restraint from 1 February 1981 for the duration of the agreement.

17. A new bilateral agreement was concluded with Macao for the period 1 March 1981 to 31 December 1983. New restraints were introduced with respect to cotton trousers etc., and cotton woven blouses. The previous agreement on woven shirts of synthetic fibres or cotton had been extended to 31 December 1981. This product was included in the new agreement with effect from 1 January 1982.

Canada

18. Canada notified a two-year agreement with India, starting 1 January 1980. It superseded previous unilateral measures taken by Canada under Article 3.5, and included inter alia, all products which had been subject to the actions. Product coverage included shirts, blouses, trousers etc., sportswear, jackets, terry towels and wash cloths, worsted fabric and work gloves.

19. Under a new agreement concluded with Thailand, restraints on winter outer garments were introduced for a three-year period, beginning 1 January 1979, while shirts, blouses, skirts, dresses etc., and work gloves were brought under restraint for the period 1 January 1980 to 31 December 1981. Certain clothing items were made subject to export authorization.

EEC

20. Notifications made by the Community relating to its bilateral agreements, included (a) additional Protocols to agreements consequent upon the accession of Greece to the European Community; (b) new restraints with respect to imports from certain countries; and (c) extension of the agreement with India by one year ending 31 December 1982. The EEC also notified a new bilateral agreement recently concluded with Czechoslovakia.

21. Additional Protocols to twenty agreements were notified to the TSB. These relate to agreements with Argentina, Bangladesh, Brazil, Colombia, Egypt, Guatemala, Haiti, Kong Kong, India, Korea, Macao, Malaysia, Pakistan, Peru, the Philippines, Poland, Romania, Singapore, Sri Lanka, Thailand and Uruguay. Quota levels for 1981 and 1982 with respect to categories under Community restraint were increased in order to include the Greek market. The consultation procedure was also adapted to take account of the accession of Greece. To this end, the basis for calculation

of the Community basket exit level was increased by 2 per cent with effect from 1 January 1981. The regional share for Greece has been fixed at 2 per cent, while regional shares of other member States have remained unchanged.

22. Agreements with Brazil, Egypt, Hungary, India, Indonesia, Korea, Macao, Malaysia, Pakistan, the Philippines, Romania, Singapore, Sri Lanka and Thailand were modified to introduce new restraints.

23. The agreement with Brazil was modified to include restraints on imports of dresses into the Benelux for a three-year period beginning 1 January 1980. Egypt agreed on new quotas for 1981 and 1982 with respect to imports of bedlinen into Benelux and the United Kingdom, with the understanding that quota levels for 1982 would be applicable subject to the extension of the agreement by a further year. The agreement with Hungary was modified with the introduction of quotas on imports of cotton yarn into Benelux and Italy and gloves into France. India agreed to restrain exports of trousers to Italy, and pyjamas and anoraks to France during the 1981 and 1982 agreement years.

24. Provisional limits established on imports of trousers, blouses and shirts from Indonesia into the United Kingdom from 1 January 1980 to 30 April 1981, were converted, after consultations, into agreed quotas for 1981 and 1982. Agreement was also reached between the parties with respect to exports of trousers into Benelux for the period 1 October 1980 to 31 December 1982. The TSB received two further notifications from the EEC concerning provisional unilateral restrictions on imports from Indonesia pursuant to the consultation provisions of their bilateral agreement. One concerned measures on imports of shirts into France, Italy and Ireland, following inconclusive consultations between the parties. The other concerned provisional limits established on imports of trousers into Denmark, France, Italy and Ireland, pending consultations.

25. Modifications to the agreement with Korea concerned introduction of quotas on exports of textile fabrics, impregnated, coated, covered or laminated to the United Kingdom beginning 1 October 1980, briefs and slips to Benelux, and embroidery etc, and petticoats to France beginning 1 January 1981; increases in 1980 quota levels with respect to stockings, dresses and tracksuits into the United Kingdom; and re-allocation between member States of 1980 quotas on handkerchiefs and wool woven fabrics. Macao agreed to limit its exports of brassieres to the Community, tracksuits to Denmark and bathrobes etc. to France during 1981 and 1982. Under a modification to the agreement with Malaysia, exports of all handkerchiefs to France were put under restraint.

26. Pakistan agreed to restrain its exports of bedlinen to Italy and women's knitted pyjamas to France for a three-year period beginning 1980. It also agreed to restrain exports of skirts to the

United Kingdom during 1981 and 1982. The modifications to the agreement with the Philippines concerned restraints on exports of briefs, slips etc., to the Community, socks to Benelux, men's and boys' woven suits and women's, girls' and infants' woven suits and costumes to Ireland for the two-year period beginning 1 January 1981. Romania agreed to restrain its exports of tents to France and women's girls' and infants' outer garments to Benelux during 1980, 1981 and 1982, anoraks to Italy and outer garments to Benelux during 1981 and 1982. Restraints on exports of women's, girls' and infants' suits and costumes to Ireland for a three-year period beginning 1980 were agreed to by Singapore. The agreement with Sri Lanka was modified to introduce new agreed limits on exports of anoraks to the United Kingdom. Thailand agreed to restrain exports of tracksuits, dresses and skirts to the United Kingdom during 1980, 1981 and 1982, and exports of anoraks to France, pyjamas to Benelux, tracksuits to Benelux and Denmark and dresses to the Community during 1981 and 1982.

27. The EEC concluded a new agreement with Czechoslovakia for a two year period beginning 1 January 1981. The agreement has replaced unilateral restraints previously maintained by member states. Forty categories at the Community level and eleven categories at the regional level were put under restraint. These include all categories of products in Group I, towelling, overcoats, raincoats and other coats, suits, skirts and dresses, underwear, nightwear, anoraks, tracksuits, certain woven fabrics, travelling rugs and blankets, handkerchiefs, hats, and certain made-up articles.

Finland

28. Finland notified new agreements with Romania and Sri Lanka and amendments to its agreements with Hong Kong, India and Macao.

29. The agreement concluded with Romania replaced a former licensing system based on the Romanian Protocol of Accession to GATT. Products previously subject to licensing and not covered by the agreement have been liberalized. The validity of the agreement runs from 1 April 1981 through 31 December 1982. Products under restraint include stockings, knitted undergarments, blouses, sweaters etc, and men's and boys' shirts of cotton and man-made fibres.

30. Finland concluded a new agreement with Sri Lanka for the period 1 June 1981 to 31 May 1984. The agreement concerns men's and boy's shirts of cotton and man-made fibres, and has superseded a provisional measure notified under Article 3.6 (see paragraph 14 above).

31. The agreement with Hong Kong was modified by the introduction of agreed limits on exports of brassieres from 1 August 1980 to 31 July 1982. This product had previously been under an agreed Export Authorization system. The agreement with India was amended to introduce 5 per cent swing between products under restraint. Agreement was also reached with respect to a list

of India items, imports of which would not be subject to quantitative restrictions, if accompanied by agreed certification. These amendments took effect from 1 January 1981. The delegations also agreed to recommend to their governments to prolong the agreement by one year, beginning 1 January 1982. The agreement with Macao was amended to introduce new agreed limits on exports of blouses of cotton and man-made fibres for the period 1 July 1980 to 31 December 1981. This product has been given higher carryover and carry forward than provided for in the original agreement.

Sweden

32. New bilateral agreements were concluded by Sweden with Brazil, Hong Kong, India, Korea, Macao, Malaysia, Pakistan, the Philippines, Singapore, Sri Lanka, Thailand and Yugoslavia. Product coverage in these agreements included clothing and certain household and made-up articles. The structure of the agreements has remained unchanged, with individual quotas for certain products, others included in a rest group with a global quota. The combination of products into different restraint groups has varied from agreement to agreement.

33. An agreement with Brazil was concluded for the period 1 September 1980 to 31 August 1982. Products under restraint include nightgarments, underwear, sweaters etc., trousers, tracksuits, bed and table linen and towels. A new agreement was concluded with India for the period 1 January 1981 to 31 December 1982. Product coverage (shirts, underwear, sweaters, trousers, costumes and dresses, blouses, stockings, nightwear, outer garments and certain household products), has remained the same as the previous agreement. An agreement with Hong Kong, valid for the period 1 April 1981 to 31 March 1983, succeeded a previous agreement. Although the product coverage has remained the same, certain products (bedlinen and towels) previously under restraint, have been made subject to consultation. Products under specific restraint include stockings, shirts, nightgarments, underwear, sweaters, overcoats and jackets, trousers, costumes, dresses and skirts, blouses, tracksuits, swimwear, shorts, corsets, brassieres, protective clothing, waistcoats, outer garments and travelling rugs and blankets.

34. Sweden concluded a new bilateral agreement with Korea for a two-year period 1 March 1981 to 28 February 1983. The previous agreement had been provisionally extended pending consultations for the new agreement. Product coverage, which has remained the same as in the previous agreement, includes stockings, socks, etc., shirts, night garments, other underwear, sweaters, overcoats and jackets, suits, trousers, costumes, dresses and skirts, blouses, tracksuits, swimwear, protective and work clothing, matching outer garments, other garments, travelling rugs and blankets, bedlinen and towels.

35. The agreement with Macao was concluded for the period 1 January 1981 to 31 December 1983. It succeeded a previous agreement with the same product coverage, which included stockings, shirts, night garments, underwear, sweaters, overcoats and jackets, trousers, costumes, dresses and blouses, underwear, brassieres, panty hose, outer garments, corsets, travelling rugs, sails, bedlinen and towels. A previous agreement with Malaysia was succeeded by two further agreements for the periods 1 July 1979 to 30 June 1981 and 1 July 1981 to 30 June 1983. Product coverage remained unchanged, and included shirts, trousers, blouses, nightgarments, sweaters and pullovers etc., stockings, other outer garments and bedlinen.

36. The agreement with Pakistan for the period 1 March 1980 to 28 February 1982, has a wider product coverage than the previous agreement, including shirts, sweaters, pullovers, etc., stockings, blouses, other outerwear, other underwear, travelling rugs and household articles. Products under restraint in the new agreement with the Philippines valid during 1 November 1980 to 31 October 1982, have remained the same as in the previous agreement, including shirts, sweaters, other underwear, trousers, blouses, overcoats and jackets, swimwear, stockings, nightwear, brassieres, other woven outer garments, travelling rugs and certain household goods. An agreement has been concluded with Singapore covering the period 1 December 1979 to 30 November 1981. Stockings, shirts, sweaters, trousers, blouses, costumes, dresses and skirts, other outer garments, nightwear, other woven outer garments, travelling rugs, bedlinen and towels, which had previously been under restraint, have been included in the new agreement.

37. Sweden concluded a new agreement with Sri Lanka for the period 1 August 1980 to 31 July 1982. As in the previous agreement, it has shirts, trousers and blouses under individual quotas while other clothing items, travelling rugs, table and bedlinen have been put under a global quota. By a Protocol signed between Sweden and Thailand the parties agreed to extend their agreement by a two-year period ending 30 June 1981. The number of products brought under restraint was extended and includes shirts, sweaters, overcoats and jackets, trousers, costumes, dresses and skirts, blouses, stockings, nightwear, other knitted underwear, other outerwear, travelling rugs, towels and bedlinen.

38. A new agreement was concluded with Yugoslavia for the period 1 January 1981 to 31 December 1982. Product coverage in the new agreement has remained unchanged from the previous one, and includes stockings, shirts, sweaters, overcoats and jackets, suits, lounge coats and blazers, trousers, costumes, dresses and skirts, bedlinen and towels, nightgarments, other knitted undergarments, other outer garments, travelling rugs and blankets.

United States

39. The United States notified amendments to its agreements with Colombia, Haiti, Hong Kong, India, Korea, Malaysia, Mexico, Pakistan, the Philippines, Romania, Singapore and Thailand; extensions of its agreements with Romania and Yugoslavia; and new agreements with Malaysia, Poland, Romania and Sri Lanka. Several amendments concerned the introduction of specific limits for categories, while most concerned changes in the designated consultation levels for products. Two affected the consultation mechanism and/or the flexibility provisions.

40. The amendments to the agreement with Colombia concerned the establishment of a specific limit for women's, girls' and infants' wool suits for the rest of the agreement period, beginning 1 July 1979, and an increase in the designated consultation level for the 1980-81 agreement year with respect to exports of gingham. The agreement with Haiti was amended to provide an increased designated consultation level for exports of underwear during the 1980-81 agreement year.

41. Two amendments to the agreement with Hong Kong were notified. Under the provisions of the consultation procedure agreed by the parties, exports of dresses, dressing gowns and other apparel of cotton, and women's, girls' and infants' coats, dresses and trousers of wool, were converted to specific limits valid for 1981 and 1982, while shirts of man-made fibre, previously under specific limit, were made subject to consultations effective 1 January 1981. Furthermore, during 1981 Hong Kong undertook not to utilize carryover and carry forward and to limit utilization of swing to 5 per cent in respect to nine categories, not to utilize carryover in respect to three categories, and not to utilize carry forward in respect to two categories. The agreement with India was amended to convert the minimum consultation level to a higher designated consultation level in respect of women's, girls' and infants' cotton coats and blouses of man-made fibres and to increase the designated consultation level with respect to men's and boys' wool trousers, for the 1980 agreement year. Further amendments provided for increased 1981 designated consultation levels with respect to women's, girls' and infants' cotton coats, cotton skirts, nightwear and other apparel and blouses of man-made fibres, and other furnishings of man-made fibres.

42. The agreement with Korea was amended to provide a new consultation procedure effective 1980. Two categories (duck and men's and boys' trousers of mmf) previously under specific limit became subject to the agreed export recommendations system. During the 1980 agreement year Korea undertook to reduce utilization of swing by 1 per cent and not to utilize carryover and carry forward with respect to eleven categories. The agreement was further

modified when four categories covering sheeting, duck, cotton sweaters and spun non-cellulosic filament yarn were given limits under the new consultation procedure for the 1980 agreement year. The category covering spun non-cellulosic filament yarn was converted into a specific limit for the duration of the agreement period. The agreement with Malaysia was amended to increase designated consultation levels for 1980 with respect to women's, girls' and infants' cotton knit shirts and blouses and spun non-cellulosic fabric, not knit. (See also paragraph 47). New designated consultation levels were established with respect to exports of cotton underwear, and other apparel of cotton from Mexico. This agreement was also amended to increase the designated consultation level for dressing gowns of man-made fibres, and to adjust the level for spun acrylic yarn for the 1980 agreement year.

43. The agreement with Pakistan was amended to increase the consultation levels of cotton gloves and woven cotton shirts for the 1980 agreement year. Designated consultation levels for five categories covering cotton shirts, skirts, dresses and other apparel, as well as other cotton fabric n.e.s. were increased for the last agreement period from 1 January 1981 to 30 June 1982. Under an amendment to the agreement with the Philippines, men's and boys' sweaters were combined with women's, girls' and infants' sweaters to form a new category. The specific limits previously applicable to women's, girls' and infants' sweaters only, applied to the combined category from the 1979 agreement year. The agreement with Romania covering wool and man-made fibres was amended to raise the consultation level for women's, girls' and infants' coats of man-made fibres for the 1980 agreement year. The agreement was subsequently extended for a three-month period ending 31 March 1981. (See also paragraph 49). The agreement with Romania on cotton products was further modified by the conversion of two categories previously under consultation levels into specific limits for the 1981 and 1982 agreement years. The categories cover coats for women, girls and infants, and woven shirts.

44. Amendments to the agreement with Singapore concerned increases in the consultation levels for twills and sateens, duck and woven blouses, for the 1980 agreement year. In the agreement with Thailand the 1980 consultation level for spun non-cellulosic yarn was increased. In a further amendment the consultation level for other cotton fabrics n.e.s. has been increased for the 1981 agreement year.

45. The agreement with Yugoslavia was extended for a two-year period, beginning 1 January 1981. The agreement has a limited product coverage with men's and boys' wool and man-made fibre suits under restraint.

46. The new bilateral agreements notified during the period covered by this report concern Malaysia, Poland, Romania and Sri Lanka.

47. The new agreement with Malaysia has been concluded for the period 1 January 1981 through 31 December 1984. Specific limits have been fixed for exports of spun non-cellulosic yarn, cotton gloves, cotton coats, shirts and trousers, knit shirts of man-made fibres and wool sweaters. All other MFA textile products have been made subject to an agreed consultation procedure.

48. A new agreement with Poland has been concluded for the period 1 January 1981 to 31 December 1984. The products under specific limit include woollen and worsted fabrics, coats, knit shirts, trousers and suits. Several products, including terry towels, woven cotton shirts, men's and boys' cotton trousers, and other wool coats have been given annual designated consultation levels. All other MFA products have been made subject to agreed minimum consultation levels.

49. The new agreement with Romania covering wool and man-made fibre products has been concluded for the period 1 April 1981 through 31 March 1985. (A separate agreement on cotton products is valid until 31 December 1982). Products under specific limit include wool and man-made fibre suits, sweaters and knit shirts of man-made fibres. Several products have been given designated consultation levels, including woollen and worsted fabrics, wool coats and suits, shirts, coats and trousers of man-made fibres, woven fabrics of man-made fibres and other furnishings. All other products covered by the agreement have been made subject to minimum consultation levels. A consultation procedure for the introduction of new specific limits has also been provided.

50. The United States has concluded a new bilateral agreement with Sri Lanka for a three-year period beginning 1 May 1980. Before this, exports from Sri Lanka had been administered under an agreed visa system. Products under specific limits include shirts and blouses of cotton and man-made fibres, cotton gloves and cotton coats and trousers for women, girls and infants. An agreed consultation procedure has been included in respect of all textile products not under specific restraint. The agreement has been amended to introduce a new specific limit with respect to other men's and boys' cotton coats.

Notifications received and/or reviewed under Article 4
since 21 September 1980 to 31 October 1981

N: New agreement E: Extension^{1/} M: Modification^{1/} T: Termination C: Consultation agreement

Importing country	Exporting country	Agreement period	COM.TEX/SB/-
Austria	Hong Kong (N)	1.12.80-31.1.82	694
	India (E)	1.1.82-31.12.82	738
	Korea (M)	1.8.79-31.7.82	686
	Macao (N)	1.3.81-31.12.83	693
Canada	India (N)	1.1.80-31.12.81	613
	Thailand (N)	1.1.80-31.12.81	614
EEC	Argentina (M)	1.1.78-31.12.82	648
	Bangladesh (M)	1.1.78-31.12.82	649
	Brazil (M)	1.1.78-31.12.82	604, 721
	Colombia (M)	1.1.78-31.12.82	650
	Czechoslovakia (N)	1.1.81-31.12.82	737
	Egypt (M)	1.1.78-31.12.81 ^{2/}	675, 690
	Guatemala (M)	1.1.78-31.12.82	651
	Haiti (M)	1.1.78-31.12.82	652
	Hong Kong (M)	1.1.78-31.12.82	692
	Hungary (M)	1.1.78-31.12.81 ^{2/}	695
	India (E+M)	1.1.78-31.12.82	687, 708, 715, 716
	Indonesia (M)	1.1.78-31.12.82	611, 638, 679, 680
	Korea (M)	1.1.78-31.12.82	639, 653, 698
	Macao (M)	1.1.78-31.12.82	654, 672
	Malaysia (M)	1.1.78-31.12.82	655, 674
	Pakistan (M)	1.1.78-31.12.81 ^{2/}	656, 717, 719
	Peru (M)	1.1.78-31.12.82	657
	Philippines (M)	1.1.78-31.12.82	640, 688, 699
	Poland (M)	1.1.79-31.12.81 ^{2/}	689
	Romania (M)	1.1.78-31.12.82	658, 673, 696
Singapore (M)	1.1.78-31.12.82	659, 676	
Sri Lanka (M)	1.1.78-31.12.82	660, 720	
Thailand (M)	1.1.78-31.12.82	641, 661, 697	
Uruguay (M)	1.1.78-31.12.82	662	

^{1/}For document numbers of original agreements see COM.TEX/SB/610.

^{2/}May be extended by one year.

N. New agreement E: Extension^{1/} M: Modification^{1/} T: Termination C: Consultation agreement

Importing country	Exporting country	Agreement period	COM.TEX/SB/-
Finland	Hong Kong (M)	1.8.80-31.7.82	666
	India (M)	1.1.78-31.12.81	665
	Macao (M)	1.8.78-31.12.81	615
	Romania (N)	1.4.81-31.12.82	706
	Sri Lanka (N)	1.6.81-31.5.84	735
Sweden	Brazil (N)	1.9.80-31.8.81	636
	Hong Kong (N)	1.4.81-31.3.83	712
	India (N)	1.1.81-31.12.82	684
	Korea (a) (E)	1.3.81-31.3.81	678
	(b) (N)	1.3.81-28.2.83	732
	Macao (N)	1.1.81-31.12.83	704
	Malaysia (a) (N)	1.7.80-30.6.81	623
	(b) (N)	1.7.81-30.6.83	736
	Pakistan (N)	1.3.80-28.2.82	630
	Philippines (N)	1.11.80-31.10.82	683
	Singapore (N)	1.12.79-30.11.81	629
	Sri Lanka (N)	1.8.80-31.7.82	631
	Thailand (N)	1.7.80-30.6.81	624
Yugoslavia (a) (E)	1.1.81-31.3.81	678	
(b) (N)	1.1.81-31.12.82	724	
United States	Colombia (M)	1.7.78-30.6.82	627, 713
	Haiti (M)	1.5.79-30.4.81	685
	Hong Kong (M)	1.1.78-31.12.82	663, 700
	India (M)	1.1.78-31.12.82	616, 669, 705, 726
	Korea (M)	1.1.78-31.12.82	628, 729, 730
	Malaysia (a) (M)	1.1.78-31.12.80	617, 668
	(b) (N)	1.1.81-31.12.84	711
	Mexico (M)	1.5.78-31.12.81	618, 643
	Pakistan (M)	1.1.78-30.6.82	619, 725
	Philippines (M)	1.1.78-31.12.82	622
	Poland (N)	1.1.81-31.12.84	701
	Romania (a) (M)	1.1.78-31.12.82 ^{1/}	728 (part)
	(b) (M+E)	1.1.77-31.3.81 ^{2/}	620, 670
	(c) (N+M)	1.4.81-31.3.85 ^{2/}	671, 728 (part)
	Singapore (M)	1.1.78-31.12.81	621, 642
	Sri Lanka (N+M)	1.5.80-30.4.83	608, 707, 727
Thailand (M)	1.1.78-31.12.82	667, 709	
Yugoslavia (N)	1.1.81-31.12.83	681	

^{1/} Agreement covering cotton products.

^{2/} Agreement covering wool and man-made fibres.

C. Notifications under Articles 7 and/or 8

51. The TSB received six notifications under Articles 7 and/or 8 of agreements concluded (or arrangements signed) with participating or non-participating countries. Notifications with regard to non-participants in the Arrangement were made bearing in mind the request made by the Textiles Committee that actions taken vis-à-vis such countries should be notified to the TSB. The TSB has taken note of these notifications and transmitted them to the Textiles Committee.

52. The EEC notified an agreement with Hong Kong in settlement of a claim on the Hong Kong government by the Community, concerning certain exports from Hong Kong trans-shipped through third countries during 1978 and 1979. The EEC also notified an agreement with Korea constituting a provisional settlement of a claim by the Community in respect of certain exports from Korea trans-shipped through third countries.^{1/} Sweden notified a bilateral agreement with Mauritius covering the period 1 January 1980 to 31 December 1981. Switzerland notified a memorandum of understanding signed with Hong Kong concerning an administrative arrangement relating to exports of certain textiles from Hong Kong to Switzerland beginning on 1 July 1980 for an initial period of one year and subsequently extended. The United States notified a bilateral agreement and administrative visa system with the People's Republic of China, covering the period 1 January 1980 to 31 December 1982, replacing unilateral measures previously notified to the TSB. It also notified two bilateral agreements with Costa Rica establishing, in one case, a limitation on one category and, in the other case, a consultation mechanism concerning trade in other textile products. The United States also notified an administrative arrangement agreed with Singapore, establishing an export visa system for cotton, wool and man-made fibre apparel products exported to the United States.

^{1/}Notification not yet received by the TSB.

Notifications received under Articles 7 and/or 8
since 21 September 1980 to 31 October 1981

Notifying country	Exporting country	Period	COM.TEX/SB/-
EEC	Hong Kong	1.1.80-31.12.82	702 ^{1/}
	Korea	1.1.81-31.12.82	739 ^{1/}
Sweden	Malta	1.7.81-30.6.83	740
	Mauritius	1.1.80-31.12.81	635
Switzerland	Hong Kong	1.7.80-30.6.81	633
United States	People's Rep. of China	1.1.80-31.12.82	634
	Costa Rica	1.1.80-31.12.83	644
	Singapore	-	646

^{1/}Notification not yet reviewed by the TSB.

D. Notifications under Article 11

53. In accordance with Article 11, paragraphs 11, 12 and 2, the Chairman of the TSB invited all participants to submit information on existing unilateral restrictions, bilateral agreements, and any other quantitative measures which have a restrictive effect, be they effected under the MFA or outside its provisions vis-à-vis other participants or non-participants. In cases where restrictions are justified under the provisions of GATT, including its Annexes and Protocols, participants were requested to notify them for information purposes, with reference to the relevant GATT Article, or the Protocols under which they are justified. Countries which had submitted reports at the time of the major review of the Arrangement, were requested only to update the information provided therein, to take account of any new measures introduced, or any changes in such measures since the last report.

54. As at 31 October, replies had been received from:

(a) twenty-four participants, contracting parties to GATT (Austria, Bangladesh, Canada, EEC, Finland, Ghana, Hong Kong, Hungary, India, Indonesia, Israel, Japan, Korea, Peru, the Philippines, Poland, Romania, Singapore, Sri Lanka, Sweden, Switzerland, Turkey, United States and Yugoslavia); and

(b) three participants, non-contracting parties to the GATT (El Salvador, Guatemala and Thailand). In this connexion it is to be recalled that Czechoslovakia made a notification under Article 2:1 after its acceptance of the Arrangement, and that Mexico had transmitted a report on the status of its restrictions under Article 2:4. (These reports have been dealt with in Section B, paragraphs 9 to 11 above).

55. The TSB noted that replies had not been received from Argentina, Bolivia (see paragraph 11 above), Brazil, Colombia, the Dominican Republic (see paragraph 10 above), Egypt, Haiti, Jamaica, Macao, Malaysia, Pakistan, Trinidad and Tobago and Uruguay. The TSB strongly urged these participants to submit the required information without further delay.

56. On the basis of replies received the tables on restrictions contained in COM.TEX/SB/610, Addenda 1-4 have been updated and are contained in Addendum 1 of this report.

57. The following points emerged from these replies.

58. A number of participants maintained no restrictions on textile imports at the beginning of the Arrangement, and have introduced none since then. These are Hong Kong, Japan, Singapore and Switzerland. Peru which in its previous report had notified liberalization of its restrictions, has notified it maintains no restrictions.

59. Participants which notified no change in their import régime since the last report are Bangladesh, India, Indonesia, Israel, the Philippines, Poland and Romania. Some countries (Hungary and Yugoslavia) have liberalized part of their earlier restrictions. Other countries (Sri Lanka and Turkey) have notified modifications in their import restrictions. With few exceptions all restrictions which applied in Korea beyond June 1979 have been maintained.¹

60. The TSB observed that restrictions maintained by Bangladesh, Ghana, India, Israel, Korea, the Philippines, Sri Lanka, Turkey and Yugoslavia, have been justified under GATT balance-of-payments measures, and took note of the conclusions of the Balance-of-Payments Committee.

61. Developed importing participating countries referred to the notifications already made under Articles 4, 7 and 8. These notifications have been reviewed by the TSB and are contained in Sections B and C of this chapter.

62. The EEC notified restrictions maintained by its member states with respect to imports from State-trading countries, not participants in the MFA. A new agreement has recently been concluded by the Community with Czechoslovakia, which has replaced the previous restrictions. The emergency action taken in pursuance of Article XIX to establish import quotas for polyester fibres and yarns of polyamides for production of carpets in respect of the United Kingdom has been terminated.

63. On conclusion of its agreement with Romania, Finland has terminated its residual restrictions with respect to this country. Sweden has continued to maintain its restrictions with respect to imports from Hungary, Poland and Romania under the protocols of accession. Restrictions on imports from Czechoslovakia have not yet been brought within the framework of the MFA. In this connexion, it is to be recalled that Sweden had indicated in 1975 that it would give due consideration to the objectives of the MFA with respect to the future of restrictive measures maintained against imports from Hungary, Poland and Romania (Czechoslovakia was not then a participating country), and that it would be prepared to notify the results of such negotiations to the Chairman of the TSB for the information of participants (COM.TEX/SB/115).

¹After its review of the report received from Korea, the TSB concluded that it had reached a wrong conclusion regarding the report received from Korea for the major review. That report had given expiry dates for its restrictions. This had led the TSB to conclude that all restrictions terminated on the dates given. As explained later by the Korean authorities, restrictions then notified had been operational until the expiry date, before which date the government was required to review the situation.

Chapter II - Observations, Findings and Comments

64. This section notes all comments and observations made by the TSB in the period since the major review of the Arrangement in 1980 (COM.TEX/SB/610), and included in its reports.

65. In the period under review, the TSB did not make any observations of general application relating to the overall operation of the Arrangement. The observations made by the Body related to specific aspects of agreements: such as base levels, growth, swing, carryover/carry forward, consultation provisions, and the net access provided for under agreements.

A. General observations relating to particular notifications

1. Delay in notification

66. Although in^{1/} general, notifications have been made reasonably promptly, in two instances^{2/} early in the period under review, the TSB had reason to note with regret that despite its repeated recommendations to participants to make notifications promptly, there had been considerable delay in the notification of a number of agreements or amendments. It took note that, in one instance relating to the amendment of a previous agreement, the notifying party had expressly stated that it hoped to correct such problems for the future. It again urged all participants to make notifications promptly.

2. EEC - Additional Protocols

67. In reviewing the twenty Additional Protocols negotiated by the EEC with exporting countries (see paragraph 21), the TSB made the following general observations:^{2/}

- (a) The TSB took note of the fact that the EEC had seen the need to make certain arrangements regarding international textile trade consequent on the entry of Greece into the Community. It also noted that to this end, the EEC had considered it necessary to conclude these additional Protocols.
- (b) The TSB noted that there was no evidence that the EEC had made a new assessment of the risk of market disruption in establishing the new regional quotas, and that quotas had been introduced for certain categories in which there had been no imports into the Greek region.

^{1/}COM.TEX/SB/626, paragraph 23; COM.TEX/SB/632, paragraph 12.

^{2/}COM.TEX/SB/664, paragraphs 8-13.

- (c) While the Protocols concluded by the EEC introduced an orderly procedure governing access to the Greek market, as compared with the previous situation where access was restricted and uncertain, some of the quotas established for Greece, where there was no previous trade, were small, and the commercial viability of such small quotas was questioned.

The TSB came to the conclusions that:

- (i) It was difficult to assess the consistency of these Protocols with all the specific provisions of the MFA as extended;
- (ii) The specific elements contained in these Protocols to take account of the accession of Greece should not be used by participating countries as a precedent in any arrangements which they might adopt under the MFA.

3. Other general observations

68. In reviewing agreements concluded by Sweden with Brazil, Hong Kong, Korea, Malaysia and Yugoslavia, the TSB specifically took note that these agreements had been concluded having regard to the Arrangement and its Protocol of extension, bearing in mind, particularly the provisions of Articles 1:2 and 4 of the Arrangement.^{1/}

69. In relation to the agreement between the EEC and Czechoslovakia, the TSB observed that the agreement had been concluded having regard to the provisions of the Protocol of extension and the Conclusions adopted by the Textiles Committee on 14 December 1977.^{2/}

B. Observations relating to specific aspects of particular agreements

1. Reductions in access

70. In reviewing the new agreement between Sweden and Singapore, the TSB noted that reductions in the levels for two categories were not compensated by increases in other categories. This^{3/} resulted in a reduction in net access, thus constituting a departure.^{3/}

^{1/}COM.TEX/SB/637, paragraph 9; COM.TEX/SB/714, paragraph 13; COM.TEX/SB/733, paragraph 9; COM.TEX/SB/741, paragraph 14; COM.TEX/SB/731, paragraph 10.

^{2/}COM.TEX/SB/741, paragraph 16.

^{3/}COM.TEX/SB/632, paragraph 13.

2. Successive reductions in access

71. In reviewing the new agreement between Sweden and Macao, the TSB noted, inter alia, that:

- (a) all restraint levels in the first year of the agreement (1 January-31 December 1981) involved reductions on the levels set out in the previous agreement;
- (b) this was the second successive reduction, and the third one with respect to the four categories which were under restraint in an earlier agreement concluded in 1976;
- (c) there was growth in every category as between the three agreement years.

72. The TSB observed that the successive net reductions in access for Macao, exemplified by the base levels established in this agreement, were a further departure from the provisions of the MFA and not foreseen by the Protocol of Extension.

73. The TSB recognized that the growth rate of less than 6 per cent contained in the agreement was a reflection of the minimum viable production provisions of paragraph 2 of Annex B. The effect of these growth provisions was to bring the aggregate restraint in 1983 to a level 2.1 per cent higher than in 1980 and 0.6 per cent greater than in 1978. However, the levels for some groups in 1983 would still be lower than those which had been in force in 1978. Moreover, the access for certain groups provided for during the entire lifetime of the agreement was less than would have been the case if there were no cutbacks in restraint levels from 1980.

74. In examining this particular agreement, the TSB recalled that it had not previously pronounced itself formally on successive reductions in access. It took this opportunity to express its view that successive reductions in access were not consistent with the objectives of the Arrangement as extended by the Protocol. The TSB therefore viewed with deep concern the reductions contained in the agreements concluded between Sweden and Macao since 1978. The TSB recognized that there was positive growth in all categories during the lifetime of this agreement.^{1/}

3. Other observations on access

75. In reviewing a new agreement concluded between Finland and Sri Lanka, replacing a previous emergency action under Article 3:6, (see paragraphs 14 and 30 above), the TSB observed that the first year level for the product

^{1/}COM.TEX/SB/710, paragraphs 7-14.

covered (shirts) was set at 90,000 pieces, the second year level at 50,000 and the third year level at 70,000. This pattern was explained by the Finnish authorities as relating to the need to take account of contracts already concluded at the outset of the agreement by Sri Lankan exporters.

76. The TSB noted that, despite the unusual evolution of the level of quotas, total access throughout the life of the agreement exceeded the levels set out in Annex B.^{1/}

4. Base levels and growth provisions: mvp agreements

Finland

77. In reviewing a new agreement between Finland and Romania, the TSB noted that the growth rates of less than 6 per cent contained in the agreement were agreed, taking into account the minimum viable production provisions of Annex B.^{2/}

Sweden

78. In a number of observations on agreements between Sweden and exporting countries, the TSB noted absence of growth in base levels and/or between agreement years.

79. In reviewing Swedish agreements with Malaysia and Thailand, the TSB noted that there was absence of growth in either base levels as compared to previous restraint levels or as between the two agreement years for a significant proportion of the products subject to restraint. In both cases, however, there was a small increase in overall base levels as compared to previous restraints, as well as very low growth for some categories within the agreements.

80. While recognizing the need to take account of the avoidance of damage to Sweden's minimum viable production of textiles, the TSB paid particular attention to the absence of growth in a number of categories, in the context of very low overall growth rates. The TSB took the view that in agreements with very low overall growth rates, reasonable growth should be accorded to all categories.

81. The TSB came to the conclusion that in view of the fact that the categories which had been accorded no growth constituted a large proportion of restrained trade, such agreements could be considered as inconsistent with paragraph 2 of Annex B. However, in view of the fact that these

^{1/}COM.TEX/SB/741, paragraphs 7 and 8.

^{2/}COM.TEX/SB/710, paragraph 17.

agreements had some overall growth, though small, the TSB was of the view that such agreements could equally be considered as fulfilling the provisions relative to MVP countries set out in Article 1:2.^{1/}

82. In reviewing the new agreement with Malaysia, the TSB noted that growth in base levels over the previous agreement, and between the two agreement years, was provided for all categories. The rates of growth provided for were lower than the rate of not less than 6 per cent provided for in Annex B, and this was explained by the need to maintain minimum viable production in Sweden. Nevertheless, the growth rates in all cases were an improvement on those in the previous agreement.^{2/}

83. In reviewing the agreement between Sweden and Korea, the TSB observed that there was some nominal increase in the aggregate level as compared with the previous agreement, as well as between the two agreement years. In one product group, representing almost 40 per cent of the aggregate, there was a minimal growth of 0.006 per cent over the previous agreement and 0.01 per cent between the two agreement years. The TSB recalled in this connexion its observation made in paragraph 80 above.^{3/} The TSB also noted that as in a previous agreement, aggregate limits for the two agreement years were lower than the total of individual restraints established in the agreement (i.e. Korea would not be able to fulfill all of its quotas).^{4/}

84. In reviewing the Swedish agreement with Singapore the TSB also noted the existence of growth rates limited to 0.065 to 0.08 per cent for the categories subject to restraint in the second year of the agreement.^{5/}

85. In its observations on the Sweden/Sri Lanka agreement, the TSB took note that the increases in base levels, with the exception of the "Rest Group" were over 1 per cent, as were the growth rates between the first and second agreement years. However, for the "Rest Group", there was no increase over the restraint in the previous agreement, while there was a growth of 1.6 per cent in the second year.^{6/}

^{1/}COM.TEX/SB/626, paragraphs 17-20.

^{2/}COM.TEX/SB/741, paragraph 10.

^{3/}COM.TEX/SB/733, paragraph 6.

^{4/}COM.TEX/SB/733, paragraph 7.

^{5/}COM.TEX/SB/632, paragraph 14.

^{6/}COM.TEX/SB/632, paragraph 24.

86. In reviewing the Sweden/Brazil agreement the TSB noted that the base levels for most of the groups subject to restraint were considerably higher than the rollback levels; in this respect, the TSB noted that on account of its past performance, Brazil might be considered as a small supplier of clothing to the Swedish market. The growth rates for the second agreement year were limited to 0.5 to 1 per cent.^{1/}

87. In relation to the Sweden/Hong Kong agreement, the TSB noted that although the overall product coverage was the same as in the previous agreement between the parties, the number of product groups under restraint had been reduced and a number of groups formerly under restraint made subject to consultation provisions. Growth, swing, carryover and carry forward had been provided for all categories. Growth over previous restraints, as well as between the two agreement periods, was nominal, and considerably lower than the growth of not less than 6 per cent prescribed in the MFA. The TSB recognized that the lower growth rate reflected the parties' understanding that implementation of the 6 per cent growth provisions of the Arrangement could contribute to the then existing threat to Sweden's minimum viable production, as foreseen in paragraph 2 of Annex B.^{2/}

88. Very low growth in the aggregate base level, as well as between the two years of the agreement, was also noted by the TSB in the agreement between Sweden and Yugoslavia. In a number of product groups accounting for approximately one quarter of the quotas established for the restrained items, no growth was accorded.^{3/}

89. In its review of the Sweden/Pakistan agreement, the TSB noted that the base level for the "Rest Group" was set in value terms. It recalled its previous recommendation that participating countries should respect the requirements of Article 5 of the Arrangement regarding normal commercial usage in such matters as the denomination of quotas and restraint levels in quantitative units, in order to avoid, inter alia, any trade distortion that might arise from variations in exchange rates and inflation. The TSB therefore recommended that in the event of the extension, modification or renewal of this agreement, the parties thereto should have full regard to such requirements.^{4/}

^{1/}COM.TEX/SB/637, paragraph 8.

^{2/}COM.TEX/SB/714, paragraphs 9-13.

^{3/}COM.TEX/SB/731, paragraph 7.

^{4/}COM.TEX/SB/632, paragraph 22.

5. Base levels and growth provisions: other agreements

Austria

90. In reviewing a new agreement between Austria and Hong Kong, the TSB noted that increases in quotas for categories previously under restraint (shirts, blouses and trousers) were lower than the rate of not less than 6 per cent provided for in Annex B. Similarly, in its review of the Austrian agreement with Macao, covering cotton trousers, woven blouses and woven shirts, the TSB observed that the growth rates included were lower than 6 per cent, and that the rate for shirts was particularly low. In both cases the TSB took note of Austrian statements that these lower increases were due to the existence of exceptional circumstances prevailing in the market, in terms of paragraph 2 of Annex B of the MFA.^{1/}

Canada

91. In reviewing the new agreement between Canada and India, the TSB noted that the growth for certain products was less than the rate of not less than 6 per cent set out in Annex B. The TSB also noted that the first year restraint levels were, in most cases, considerably higher than previous restraint levels, or than the actual trade performance in the preceding year.^{2/}

EEC

92. In considering an amendment to the agreement between the EEC and Brazil, the TSB noted that the growth rate included in the amendment was lower than the rate of not less than 6 per cent laid down in Annex B. The TSB noted that Brazil had questioned the adequacy of the economic information presented by the Community in support of the existence of special circumstances in the Benelux market for Category 26 products; the TSB recalled in this connexion that a growth rate of less than 6 per cent had also been negotiated for this category in the Benelux market in a number of other cases (COM.TEX/SB/593, Hungary, COM.TEX/SB/594, Korea, COM.TEX/SB/486, Thailand). The agreed base level established for the first agreement year might also be considered as compensating for the lower growth in subsequent years.^{3/}

^{1/}COM.TEX/SB/703, paragraphs 8 and 12.

^{2/}COM.TEX/SB/626, paragraph 9.

^{3/}COM.TEX/SB/626, paragraph 12.

93. In the TSB's review of a number of modifications to Article 4 agreements between the EEC and Macao, Romania, Malaysia and Singapore, it was noted that in a number of cases the growth rates for certain categories, which had not been fixed in the original agreements, were lower than the rate of not less than 6 per cent laid down in Annex B. The TSB took note of the Community's statement that:

- (a) in the cases of Macao and Romania the lower growth rates reflected the existence of exceptional circumstances as laid down in Annex B, paragraph 2, of the MFA;
- (b) in the case of Malaysia, the level agreed for the first year of the amendment compensated for the growth lower than 6 per cent, and
- (c) in the case of Singapore, the growth of less than 6 per cent for 1981 was agreed to take account of an exceptionally large shipment in ^{1/}1980; the growth for 1982 was higher than 6 per cent.^{2/}

94. In reviewing the new bilateral agreement between the EEC and Czechoslovakia, the TSB took note that this agreement comprised restraints both at Community and at regional levels, and that the restraint levels for 1981 were established taking into account imports or restraints in calendar year 1980. Growth rates for a large number of categories fell below those provided for in Annex B. The TSB took note of the statement by the EEC that this reflected the precarious market situation in the Community.^{2/}

United States

95. In its review of the new agreement between the United States and Romania, the TSB noted that the growth rate for one man-made fibre category was less than 6 per cent, but this could be considered as having been compensated for by a considerable increase in the base level for this category in comparison with the level for the last year in the previous agreement. It was also noted that one wool category was accorded a growth of 1 per cent. In the case of the wool category, the TSB took note of the statement by the United States that this low growth rate was, to some extent, compensated for by ^{3/}a growth of more than 6 per cent with respect to the remaining categories.^{2/}

^{1/}COM.TEX/SB/677, paragraph 18.

^{2/}COM.TEX/SB/741, paragraphs 17 and 18.

^{3/}COM.TEX/SB/677, paragraph 15.

96. In considering a new agreement between the United States and Poland, the TSB observed that the growth rates for certain wool and man-made fibre categories were lower than the rate provided for in Annex B. In this connexion, the TSB noted the statement by the United States that these lower growth rates could be considered as having been compensated by a greater than 6 per cent growth in the aggregate and by increases in base levels in a number of categories. The Body also took note of a statement by the United States that, in respect of wool categories, growth of 1 per cent reflected the continued state of disruption of the domestic wool textile and apparel market.^{1/}

97. A similar observation was made by the Body in the case of wool categories^{2/} included in the new agreement between the United States and Malaysia.^{2/}

6. Swing, carryover and carry forward

Absence of swing

98. In a number of Swedish agreements, the TSB noted that there was no provision for swing and took note of the statement by Sweden that the absence of swing was a reflection of a mutual recognition of the minimum viable production principle. This observation was made on the agreements with Malaysia, Thailand, Singapore, Pakistan, Sri Lanka, the Philippines, India, Macao, Yugoslavia and Korea.^{3/} The TSB recalled its earlier observations^{4/} that swing was one of the essential elements in bilateral agreements concluded under Articles 3 and 4.

99. In considering the agreement between Austria and Macao, the TSB observed that there was no swing in one category (trousers). According to the Austrian authorities this had been agreed having regard to the substantial increase over previous trade in the quota for this category. In this connexion the TSB recalled its earlier observations that swing

^{1/}COM.TEX/SB/703, paragraphs 21 and 22.

^{2/}COM.TEX/SB/714, paragraph 7.

^{3/}COM.TEX/SB/626, paragraph 19; COM.TEX/SB/632, paragraphs 15, 21 and 25; COM.TEX/SB/691, paragraph 5; COM.TEX/SB/710, paragraph 11; COM.TEX/SB/731, paragraph 8; COM.TEX/SB/733, paragraph 8; COM.TEX/SB/741, paragraph 11.

^{4/}COM.TEX/SB/69, paragraph 4.

provisions were an essential element of bilateral agreements, and noted that the absence of swing in this case was in return for other considerations included in the agreement.^{1/}

Nominal swing

100. In the case of the agreement between Sweden and Hong Kong, the TSB noted that some nominal swing was included.^{2/}

Reductions in swing: non-utilization of carry-over and carry forward

101. The TSB took note of reductions in swing in amendments to the United States' agreements with Korea, Hong Kong and Malaysia. In the case of Korea, swing had been reduced by 1 per cent (from 7 to 6 per cent or from 6 to 5 per cent) and that carry over and carry forward had been forgone, on eleven apparel categories for the 1980 agreement year. The TSB noted that these changes were in respect of 1980 only and that, for the remaining years of the bilateral agreement, i.e. 1981 and 1982, the original swing and carryover/carry forward provisions were not affected. It also noted that certain other modifications, namely the introduction of a new consultation procedure and a substantial increase in the wool group, appeared to be favourable to Korea. The TSB concluded that, having due regard to the limited duration of the reduction in flexibility, the impact of the modifications on trade flow did not appear seriously to affect Korea's continued access to the United States market. In this connexion, the TSB stressed the importance it attached to stability of access as embodied in the concept^{3/} of orderly development of trade in terms of Article 4, paragraph 2.^{3/}

102. The modifications to the agreement with Hong Kong involved a reduction of swing to 5 per cent on certain categories and an agreement by Hong Kong not to utilize carryover and/or carry forward for a number of categories for the year 1981. This was the second successive year in which such modifications had been made. The amendment also contained a number of modifications sought by Hong Kong, which provided for increases in specific limits for certain categories in the 1981 agreement year. The TSB in this case recalled its earlier observations contained in COM.TEX/SB/564,^{4/} and again reiterated the importance it attached to stability of access.^{4/}

^{1/}COM.TEX/SB/703, paragraph 9.

^{2/}COM.TEX/SB/714, paragraph 12.

^{3/}COM.TEX/SB/632, paragraphs 7-10.

^{4/}COM.TEX/SB/703, paragraphs 15-19.

103. In its review of the new agreement with Malaysia, the TSB took note of the fact that swing between categories had been reduced from 7 to 5 per cent; at the same time, increases in base levels of between 7 and 13 per cent had been granted for categories which had previously had specific limits.^{1/}

Lower flexibility than that set out in Annex B

104. In relation to the EEC/Czechoslovakia agreement, the TSB noted that swing was provided at less than 5 per cent for a number of categories and that the restrictions on the cumulative flexibility provisions resulted in lower flexibility than that set out in Annex B.^{2/}

105. In two Swedish agreements (with Thailand and Singapore) the TSB found that, following its recommendations in connexion with previous Swedish agreements, provisions for carryover and carry forward had been included. Although these represented improvements, the percentages concerned, and/or limitations on cumulative use of carryover^{3/} and carry forward, led to lower flexibility than that set out in Annex B.^{3/} In a number of other Swedish agreements (with Brazil, the Philippines, India, Macao, Hong Kong, Yugoslavia, Korea, Malaysia) it was also noted that limitations on cumulative use of carryover^{4/} and carry forward led to flexibility below the levels set out in Annex B.^{4/}

7. Consultation procedures

106. In connexion with the functioning of consultation systems in bilateral agreements, the TSB held a discussion on the operation of the consultation procedures contained in the EEC bilateral agreements (basket exit procedures) in the light both of its previous observations thereon, (COM.TEX/SB/380, 388 and 652) and its review of notifications of actions under these procedures during the past three years. The discussion included such aspects as the method for establishing real risk of market disruption, the need for adequate and timely statistical information, as well as concern over the operation of the system in the context of the MFA,^{5/} its regional application and the determination of reference periods.^{5/}

^{1/}COM.TEX/SB/714, paragraph 7.

^{2/}COM.TEX/SB/741, paragraph 18.

^{3/}COM.TEX/SB/626, paragraph 19; COM.TEX/SB/632, paragraph 15.

^{4/}COM.TEX/SB/637, paragraph 8; COM.TEX/SB/691, paragraph 6; COM.TEX/SB/710, paragraph 12; COM.TEX/SB/714, paragraph 12, COM.TEX/SB/731, paragraph 8; COM.TEX/SB/733, paragraph 8; COM.TEX/SB/741, paragraph 12.

^{5/}COM.TEX/SB/733, paragraph 12.

107. In its review of the Swiss notification under Article 7 of a memorandum of understanding with Hong Kong, (see paragraph 52 above), the TSB took note that the consultation mechanism contained therein had not to date been invoked, and understood that any consultations as provided for in the arrangement would be duly notified.^{1/}

108. In the case of the amendments to the United States/Korea agreement noted in paragraph 101 above, the TSB noted that the new consultation procedure introduced was one of the modifications which seemed to be favourable to Korea.

109. The TSB gave particular attention to the consultation provisions included in Sweden's agreements with Singapore, Sri Lanka and the Philippines. It recalled the Swedish authorities' statement in earlier cases that the application of such provisions would be fully consistent with the MFA and recommended that, for reasons of clarity, this understanding be reflected explicitly in the provisions of any future agreement containing a similar clause.^{2/} With respect to the consultation provisions included in agreements with Macao, Yugoslavia and Malaysia, the TSB took note of the statement by Sweden that it would not apply the provisions outside the purview of the MFA.^{3/}

8. Price clauses and undertakings

110. During its review of a modification to the EEC's bilateral agreement with Korea, relating to exports to the United Kingdom, the TSB took note of the undertaking made by the Korean authorities, in response to a request from the EEC, to use appropriate means at their disposal in order to achieve an increase in the price of a particular category. The TSB questioned the appropriateness of a reference to price in the context of an MFA agreement.^{4/}

^{1/}COM.TEX/SB/637, paragraphs 3 and 4.

^{2/}COM.TEX/SB/632, paragraphs 16 and 26; COM.TEX/SB/691, paragraph 7.

^{3/}COM.TEX/SB/710, paragraph 13; COM.TEX/SB/731, paragraph 9;
COM.TEX/SB/741, paragraph 13.

^{4/}COM.TEX/SB/645, paragraph 9.

111. The TSB noted the existence of a price clause in Article 5 of the agreement between the EEC and Czechoslovakia, similar to those contained in bilateral agreements concluded by the Community with Hungary, Poland and Romania. It recalled its previous observation, noted in COM.TEX/SB/457, that such a price clause fell outside the framework of the MFA, and that the application of such clauses could be in conflict with the provisions of Article 9:1 of the Arrangement. It therefore repeated its recommendation that the parties to the agreement should ensure that in implementing^{1/} the bilateral agreement the provisions of Article 9:1 be fully observed.^{1/}

^{1/}COM.TEX/SB/741, paragraph 19.