

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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Textiles Surveillance Body

REPORT OF THE NINTH MEETING (1986)<sup>1</sup>

1. The Textiles Surveillance Body held its ninth meeting of 1986 on 2-3 December.
2. The report of the eighth meeting has been circulated in COM.TEX/SB/1190.

Notifications under Article 4

Canada/Brazil

3. The TSB received a notification from Canada of a modification of its bilateral agreement with Brazil. The parties agreed to a restraint on exports of sportswear (coordinates, suits, athletic suits or sets and leisure wear) for the last agreement year ending on 31 December 1986.
4. The base level was much higher than either the rollback level or 1985 imports. Swing with other clothing items under restraint was available at 6 per cent. Under a special provision it was agreed that children's and infants' garments would be charged against the restraint level at 0.6 unit.
5. In reviewing this notification the TSB noted that overall import levels of the products covered had increased significantly over recent years. The TSB also noted that domestic shipments in Canada for products covered by this restraint had remained relatively stable. The TSB noted further that although there was a sharp increase in imports from Brazil, its share in the Canadian market was small.
6. After its review, the TSB agreed to transmit the notification to the Textiles Committee. (COM.TEX/SB/1191)

Canada/Brazil

7. The TSB received a notification from Canada of a further modification of its bilateral agreement with Brazil, valid until 31 December 1986. The parties agreed to a restraint on exports of terry towels, wash cloths and sets for the last agreement year.
8. The restraint level was much higher than the rollback level, but equal to the export level reached by Brazil for the same reference period. Swing between terry towels and the other non-clothing item (acrylic yarn) was set at 5 per cent for terry towels and 7 per cent for acrylic yarn.
9. After its review, the TSB agreed to transmit the notification to the Textiles Committee. (COM.TEX/SB/1192)

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<sup>1</sup>Two hundred and fourth meeting overall

Canada/Turkey

10. The TSB received a notification from Canada of its first agreement concluded with Turkey, valid for the period 18 February to 31 December 1986, establishing a restraint on pants, slacks, shorts, overalls and coveralls, with a sub-limit on non-woollen pants for men, boys, women and girls.

11. The restraint was set at a level much higher than the rollback level. Flexibility was not applicable, with only one product category under restraint for less than one year.

12. After its review, the TSB agreed to transmit this notification to the Textiles Committee. (COM.TEX/SB/1193)

United States/Hungary

13. The TSB received a notification from the United States of an extension of its bilateral agreement with Hungary for a one-year period ending 31 December 1987.

14. The growth and flexibility provisions of the bilateral agreement applied to the extended period.

15. After its review, the TSB agreed to transmit this notification to the Textiles Committee. (COM.TEX/SB/1194)

EEC/Brazil

16. The TSB received a notification from the EEC of a modification of its bilateral agreement with Brazil. A limit was agreed on exports to Italy of Category 4 (T-shirts) for the period 12 September 1985 to 31 December 1986. An additional quantity might be exported, after notification, if shipped before 1 October 1985. Carry forward was agreed involving a maximum of 250,000 pieces of the 1986 restraint.

17. After noting the delay in the notification, the TSB agreed to transmit it to the Textiles Committee. (COM.TEX/SB/1195)

United States/Turkey

18. The TSB received a notification from the United States of an extension and amendment of its bilateral agreement with Turkey. The validity of the agreement was extended by six months to 30 June 1988.

19. The following modifications were made to the agreement:

- (a) specific limits were introduced on seven categories, one merged category and one sub-category, effective 1 July 1986;
- (b) a number of these limits either followed or superseded unilateral measures under Article 3:5;
- (c) the restraint period on two categories previously under restraint was extended by six months;
- (d) base levels of the new restraints were much higher than the Article 3:5 levels or rollback levels, and levels of existing restraints were increased by 6 per cent;

(e) growth for the new restraints was 6 per cent in seven cases, 4 per cent in one case and 3.9 per cent in one case;

(f) swing, carryover/carry forward were available at 7 and 11/6 per cent.

21. After its review, the TSB agreed to transmit the notification to the Textiles Committee. (COM.TEX/SB/1196)

#### United States/Thailand

22. The TSB received a notification from the United States of an extension and modifications of its agreement with Thailand. The agreement was extended by a twelve-month period ending 31 December 1988.

23. In this modification:

- (a) overshipments made during agreement years 1984 and 1985 were charged to the three last agreement years (1986 to 1988), taking account of the needs of both parties;
- (b) the 1985 and 1986 agreement periods for Group II (apparel group) were divided into eleven and thirteen-month periods, respectively, with consequent modifications to the Group and specific limits;
- (c) with effect from 1 January 1986, all wool categories were placed under a new Group III, which is subject to a Group limit; one half of this limit is to be deducted from the Group II limit;
- (d) five categories called under the consultation provisions of the agreement were placed under restraint in 1985 for periods covering only part of that agreement year and remain in force for the remainder of the agreement; one category was placed under restraint as of the fourth agreement year;
- (e) average annual growth rates for Group II and all non-wool categories, except one, were 6 or 7 per cent; growth for Group III and the wool categories under restraint was 1 per cent.

24. After its review, the TSB agreed to transmit the notification to the Textiles Committee. (COM.TEX/SB/1197)

#### United States/Singapore

25. The TSB received three notifications from the United States concerning its bilateral agreements with Singapore. One notification concerned two extensions of the bilateral agreement between the parties valid until 31 December 1985, for three months and then for a further three months until 30 June 1986, and the second notification concerned consultation levels for two categories for the extended period. These extensions were agreed to allow the parties more time to negotiate a new agreement.

26. The third notification contained a new bilateral agreement valid for the period 1 January 1986-31 December 1990, superseding and replacing the extensions of the previous agreement.

27. In this agreement:

- (a) the product coverage remained unchanged, and the three Groups in the previous agreement were replaced by Group I which includes only categories under specific limit, and Group II which includes all other categories;
- (b) the aggregate and Group limits in the previous agreement were removed; Group II is made subject to a designated consultation level;
- (c) twenty-eight categories were placed under restraint, of which eight categories and one part category had previously been under consultation levels;
- (d) six categories previously under specific limits were made subject to consultation levels;
- (e) base levels in all but five cases were higher and in some cases much higher than the previous specific limits or consultation levels;
- (f) growth rates ranging between 2 and 5 per cent for non-wool categories, and at 1 per cent for the wool category, were in some cases lower than in the previous agreement;
- (g) swing was available at 7 per cent; a further shift of 10 per cent was allowed in the case of four pairs of categories;
- (h) carryover/carry forward were set at 11/6 per cent, with no carryover in the first agreement year and no carry forward the last agreement year.

28. In reviewing this agreement the TSB noted that the aggregate and Group limits in the previous agreement had been removed, and that in the present agreement the sum of the specific limits together with the designated consultation level for Group II was lower than the aggregate limit in the previous agreement. The TSB, however, understood that the Group II level and the specific designated consultation levels were not specific limits, but were designed to provide for the orderly development of Singapore's unrestrained exports to the United States and not to impede the expansion of Singapore's exports to the United States' market.

29. After its review, the TSB agreed to transmit these notifications to the Textiles Committee. (COM.TEX/SB/1198, 1199 and 1200)

Procedures for the Application of Paragraph 8 of the 1986 Protocol

30. The TSB examined the provisions contained in paragraph 8 of the 1986 Protocol of Extension. It noted that:

- (a) this paragraph may be invoked only by importing countries which administer restraints imposed under Article 3, paragraph 5, on the basis of date of export;
- (b) the restraint level for the extension period must include growth and flexibility in accordance with the provisions of paragraphs 3 and 5 of Annex B;
- (c) such extension may be made only once.

31. In a case where Article 3:8 has been utilized and there is no agreement on the extension or renewal or modification for a further twelve-month period of an Article 3:5 restraint, and the importing country intends to invoke paragraph 8 of the 1986 Protocol, bearing in mind paragraph 30(a) above, the TSB reached the following conclusions regarding the applicable procedures:

- (i) the importing country must notify to the TSB the absence of agreement, giving details of the proposal and reasons for the outcome;
- (ii) the importing country must at the same time notify to the TSB and the exporting country concerned its intention to invoke paragraph 8 of the 1986 Protocol, together with information on the "imminent and measurable increase in imports" which "may arise" and "would cause recurrence or exacerbation of market disruption or impede the steady and orderly development of trade";
- (iii) the extension of the restraint may not be put into effect by the importing country before submitting its intention to the TSB;
- (iv) all steps outlined above should take place before the expiry of the Article 3:5 restraint;
- (v) the extension of the restraint shall be put into effect on the day after the expiration of the restraint introduced under Article 3:5;
- (vi) the TSB shall make the appropriate recommendations within a period of thirty days whenever practicable, using the procedures of Article 11, paragraphs 6 and 7; they may be made either before or after the restraint for the extended period comes into effect.