

GENERAL AGREEMENT ON

RESTRICTED

COM.TEX/SB/1272

10 June 1987

TARIFFS AND TRADE

Special Distribution

Textiles Surveillance Body

REPORT OF THE FIFTH MEETING (1987)¹

1. The Textiles Surveillance Body held its fifth meeting of 1987 on 11-13 May.
2. Mr. Piergiorgio Mazzocchi was appointed as member by the EEC to succeed Mr. Jörn Keck. Mr. Mazzocchi appointed Mr. Gerard Boisnon (EEC) as his alternate. Mr. Randhawa appointed Mr. Maamoun Abdel Fattah (Egypt) as his alternate.
3. Present at this meeting were the following members and/or alternates: Messrs. Kawaguchi, Lau/Lee, Mazzocchi/Boisnon, Randhawa/Abdel Fattah, Rosselli, Säilä/Wright, Salim/Mrs. Tantraporn and Mr. Shepherd.
4. The report of the fourth meeting has been circulated in COM.TEX/SB/1265.

Notifications under Article 4

Sweden/Korea

5. The TSB received a notification from Sweden of a provisional prolongation of its agreement with Korea for a four-month period ending 30 June 1987. Growth rates and all other relevant provisions of the agreement apply to the extended period.
6. According to Sweden, the extension has been made in order to give more time to the parties to negotiate a new agreement intended to supersede this provisional extension and which would, when concluded, be notified to the TSB.
7. After its review, the TSB agreed to transmit the notification to the Textiles Committee. (COM.TEX/SB/1266)

United States/Korea

8. The TSB received a notification from the United States of an extension and modification of its agreement with Korea according to which the agreement, which was scheduled to expire on 31 December 1987, was extended to 31 December 1989. The modified provisions of the agreement would apply in full to the 1986 and 1987 agreement years, superseding the previous provisions for these years. The TSB also received notification of a subsequent amendment of the agreement.
9. In this modified agreement:
 - (a) the coverage had been expanded to include silk blends and/or other vegetable fibres other than cotton;
 - (b) four group limits were introduced;

¹Two hundred and tenth meeting overall.

- (c) the restraint on one category was removed while new restraints were established on eight categories of which six categories covered products of silk blends and other vegetable fibres;
- (d) the agreed 1986 levels for previously restrained categories were generally at the superseded levels; however, in two cases the levels were modified to take account of shifts in product coverage between these two categories, in three cases the levels were higher and in one case lower than the superseded levels;
- (e) new restraints on a cotton category and a mmf category were more than 6 per cent over the rollback level; the base levels on products of silk blends and other vegetable fibres were based on agreed negotiated trade reference levels;
- (f) the base levels for the group limits were set taking into account the trade levels for 1985. Growth rates for the group limits increased progressively over the agreement period but were in all cases much lower than 6 per cent;
- (g) growth rates of the previously restrained categories remained unchanged except in two cases where the growth rates were higher and two in which they were lower. Growth rates of the new categories brought under restraint were set at less than 6 per cent;
- (h) the provisions of swing remained unchanged for the previously restrained categories (which included a number of categories with built-in swing). For the categories newly brought under restraint, swing was not available for two categories and available at 7 per cent for the others. Additional swing was possible between two sets of two categories; swing for the group limits was available at 1 per cent with the possibility of additional swing at 1 per cent for 1986 only;
- (i) after consultations the parties agreed that carryover/carry forward would be available for the group limits at 3 per cent and for specific limits at 2 per cent, of which carryover should not represent more than 1 per cent, except for two products where carry forward was limited to 1 per cent;
- (j) consultation provisions and criteria pursuant to which restraints on additional products could be established were set out in the agreement.

10. The TSB noted that the sum of the specific limits subject to group limits was lower than the group limits in three cases and higher in one case.

11. The TSB heard statements from the United States and Korea that the restrictions on Categories in Groups III, IV and VI were negotiated due to substantially increased imports of such products which were directly competitive with products made of fibres specified in Article 12 of the Arrangement. The TSB noted that paragraph 24 of the Protocol of Extension had been taken into consideration by the parties, and reviewed those restrictions under the terms of that paragraph.

12. The TSB heard statements from the United States and Korea that though the levels set in the agreement for the products of silk blends and other vegetable fibres were agreed for the 1986 agreement year they were applied at pro rata levels from 1 September 1986.

13. With respect to the growth rates and flexibility provisions contained in this agreement, the TSB heard a statement from the United States that these had been agreed pursuant to paragraph 10 of the 1986 Protocol of Extension.

14. The TSB was of the opinion that it was unclear that the agreement as modified offered more access to Korea than the superseded years of the agreement, in view of the introduction of Group limits, of new specific limits and of features such as the existence of a limit on Group VI which was lower than the sum of its specific limits.

15. After its review, the TSB agreed to transmit the notifications to the Textiles Committee. (COM.TEX/SB/1267)

EEC/Argentina

16. The TSB received a notification of a new agreement initialled between the EEC and Argentina, in de facto application from 1 January 1987 and valid until 31 December 1991. The previous agreement between the parties had expired on 31 December 1982.

17. In this agreement:

- (a) three Categories were under restraint;
- (b) annual growth rates varied between 1.7 and 6 per cent;
- (c) swing at 7 per cent, subject to certain limitations, and carryover and carry forward at 7 and 5 per cent, were available;
- (d) cumulative use of flexibility was limited to 17 per cent.

18. In reviewing this agreement, the TSB took note of a statement by the EEC that in setting the base levels the parties had taken into account the 1982 restraint levels together with growth and actual trade flows.

19. After its review, the TSB agreed to transmit this notification to the Textiles Committee. (COM.TEX/SB/1268)

EEC/Poland

20. The TSB received a notification of a bilateral agreement between the EEC and Poland, in de facto application from 1 January 1987 and valid until 31 December 1991.

21. In this agreement:

- (a) the product coverage remained unchanged;
- (b) five restraints at the Community level were terminated;
- (c) increases in base levels of Categories under restraint were in twenty cases lower than 6 per cent, in five cases higher than 6 per cent and in four cases substantially higher than 6 per cent, but in several instances these rates resulted from changes in the categorization system;

- (d) except for one category, annual growth rates varied between 1.5 and 6 per cent, and were in all cases higher than in the previous agreement; for the remaining category the rate at 13 per cent remained unchanged from the previous agreement;
- (e) as in the previous agreement, no swing was available for Category 1; for other categories swing, while subject to limitations, was available at 4 or 5 per cent and was more favourable to Poland than in the previous agreement;
- (f) carry over at 7 per cent was higher than in the previous agreement, while carry forward at 5 per cent was unchanged. Cumulative flexibility set at 13 per cent for Group I and 13.5 for Groups II and III was higher than in the previous agreement;
- (g) additional access was available in the case of four Categories, as five children's garments would be counted as three quota units.

22. In relation to the price clause contained in Article 5, the TSB reiterated its earlier statements¹ that such a price clause falls outside the provisions of the MFA. It expressed the view that in any case of application of the price clause, due consideration should be given to the fact that such application may have the effect of nullifying the objectives of the Arrangement in terms of Article 9:1. The TSB recommended that in the event of the application of the price clause, every effort should be made to ensure that such application would be in conformity with the MFA.

23. After its review, the TSB agreed to transmit this notification to the Textiles Committee. (COM.TEX/SB/1269)

EEC/Singapore

24. The TSB received a notification of a new agreement initialled between the EEC and Singapore, in de facto application with effect from 1 January 1987 and valid until 31 December 1991.

25. Under this agreement:

- (a) the product coverage was unchanged;
- (b) six Community restraints and all regional restraints were terminated;
- (c) increases in base levels of the seven Categories under restraint were in some cases higher than 6 per cent;
- (d) annual growth rates, between 3 and 5 per cent, were in all cases higher than in the previous agreement;
- (e) swing, while subject to limitations, was set at 7 per cent and was more favourable to Singapore than in the previous agreement;
- (f) carryover at 7 per cent was higher than in the previous agreement, while carry forward at 5 per cent remained unchanged. Cumulative flexibility was set at 17 per cent;

¹ COM.TEX/SB/457, paragraph 6, 477, paragraph 5, 935, paragraph 16; see also 859 and 869.

- (g) an additional quantity for outward processing trade was agreed for Category 7, with 6 per cent yearly growth;
- (h) additional access was available in the case of two Categories, as five children's garments would be counted as three quota units.

26. After its review, the TSB agreed to transmit this notification to the Textiles Committee. (COM.TEX/SB/1270)

General observations on EEC agreements

27. During its review of three notifications of Article 4 agreements initialled by the EEC, with Argentina, Poland and Singapore, respectively, and in de facto application since 1 January 1987, the TSB noted that they contained a number of points in common, which the TSB understood also appeared in the other agreements negotiated by the EEC to cover the period 1 January 1987-31 December 1991. With respect to these points, the TSB made the following general observations, in the understanding that unless otherwise decided by the Body they should be equally applicable to all future notifications of agreements containing the same points:

(a) Introduction of new restraints on products subject to consultations

28. In reviewing the procedures for introducing restraints on products subject to consultation, the TSB noted that the threshold levels for the application of these procedures were in all cases twice those applicable in the previous agreements and understood that the EEC would continue to apply these procedures only when, in the view of the Community, there was a real risk of market disruption.

29. The TSB would continue to review any new restraints introduced under these provisions as modifications of the bilateral agreements on a case-by-case basis.

(b) Product coverage

30. The TSB noted that the product coverage of the agreements remained unchanged, although the number of EEC textile categories applied therein, as adapted to the Harmonized System, had been reduced from 114 to 93.

(c) Reallocation of regional quota-shares

31. The TSB noted that the agreements provided under certain conditions for the automatic transfer of unused regional quota-shares of Community limits to other regions, up to annually increasing percentages of the quota-shares to which the transfer is made. This provided for better flexibility than in previous agreements.

(d) Growth rates

32. The TSB heard a statement from the EEC that, while growth rates in the agreements concluded under the 1986 Protocol were in almost all cases higher than in the agreements concluded under the 1981 Protocol, there were cases in which the parties agreed to rates lower than 6 per cent pursuant to paragraph 2 of Annex B. In a number of cases, such lower rates had been compensated by increases in the base levels and other features of the agreements.

33. The TSB took note of this statement and reiterated that it would review each agreement on a case-by-case basis.

(e) Circumvention

34. In reviewing the consultation provisions in the bilateral agreements relating to Paragraph 16 of the Protocol of Extension, the TSB noted that the parties may consult with a view to agreeing an equivalent adjustment of quotas in cases where evidence of circumvention had been established. The TSB observed that such consultations would address the question of adjustment of charges to existing quotas to reflect the country of true origin, with its timing and scope being decided in consultation between the countries concerned, with a view to arriving at a mutually satisfactory solution.

35. The TSB emphasized the importance to be attached to cooperation between all parties concerned to establish the relevant facts.

36. The TSB also took the view that any action taken by the Community in the absence of a mutually agreed solution should be without prejudice to the possibility of continuing consultations and could not substitute the right of recourse to the TSB by either party under Article 8:2 of the MFA and Paragraph 16 of the Protocol of Extension.

37. The TSB understood that any arrangement or measure introduced under these consultation provisions was notifiable under Article 8:4 of the Arrangement.

38. In making this observation, the TSB did not address the meaning of the term "circumvention" as used in the Arrangement but decided it would do so in the future if necessary.

39. The TSB also noted that some of the agreements continued to contain provisions relating to re-imports of textile products after processing in the partner country concerned, but decided not to make any observation on this point at the present stage.

Notification under Articles 7 and 8

Canada/North Korea

40. The TSB received a notification from Canada of a modification of its agreement with North Korea. This notification was made under Articles 7 and 8 in accordance with the request of the Textiles Committee that participating countries notify any actions or measures taken regarding trade in textiles with non-participants. The TSB is transmitting the notification to participating countries for their information. (COM.TEX/SB/1271)

Notification under Article 11

Uruguay

41. The TSB took note of a notification received from Uruguay in reply to the Chairman's letter requesting information, pursuant to Article 11 of the Arrangement, on restrictions maintained by participating countries on imports of textile products.¹ This notification will be submitted to the Textiles Committee at the time of the submission of the TSB's annual report.

¹See COM.TEX/SB/1265.