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Chapter 7
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Addenda
(Issued separately)

Evolution of restrictions since the entry into force of the Arrangement Regarding International Trade in Textiles

Addendum 1: Austria, Brazil, Canada, Egypt
Addendum 2: European Community (and Suppl.1)
Addendum 3: Finland, Hong Kong, Hungary, India, Indonesia, Japan, Korea, Malaysia, Mexico, Poland, Romania, Singapore and Sri Lanka.
Addendum 4: Sweden, Switzerland, Thailand, Turkey, United States and Yugoslavia
Introduction

1. Under Article 10:4 of the Arrangement Regarding International Trade in Textiles (the MFA), the Textiles Committee is required to carry out during the third year of the MFA, a major review of the operation of the Arrangement. To assist in this review, the Textiles Committee shall have before it a report from the Textiles Surveillance Body.

2. At the meeting of the Textiles Committee in December 1979, the Chairman recalled that the TSB was required to submit such a report.1 Subsequently, at the meeting of the Committee held in July 1980, the Chairman again noted that the Committee would, at its meeting scheduled for October 1980, focus its work on the major review of the MFA.2 Thus, although the TSB on this occasion has not received detailed directives from the Textiles Committee, as had been done at the time of the previous major review, the mandate for the review is established both by the provisions of the MFA and by the request of the Textiles Committee.

3. This is the second such report made by the TSB to the Textiles Committee. The previous report in connexion with the major review of the first period of the MFA was made in 1976 (COM.TEX/SB/196). Subsequently, as also required by Article 10:4, annual reports on the work of the TSB were made and submitted to the Textiles Committee as COM.TEX/SB/365 and 519. It will be recalled that in 1977 no report on the TSB's activities was submitted to the Textiles Committee, as all meetings of the Committee which took place after the major review in December 1976 were devoted to the extension of the Arrangement and that COM.TEX/SB/365 covered both the period November 1976 - 31 December 1977 and January - October 1978; while COM.TEX/SB/519 reported on the TSB's activities between 21 October 1978 and 30 November 1979.

4. The present report brings together and updates the information contained in the two previous annual reports, from the extension of the MFA onwards, and covers in addition the work of the TSB up to 20 September 1980. It thus aims to provide as complete a picture as possible of the operation of the MFA, as illustrated by the activities of the TSB, during the period of the extended Arrangement. It provides a full record up to date of all agreements and measures notified under the extended MFA, and of the TSB's comments on them where appropriate; including a number of general comments on aspects of the operation of the MFA made by the TSB in the period under review.

1COM.TEX/15, paragraph 90.
2COM.TEX/17, paragraph 81.
5. As in previous years, the TSB has also undertaken a review, under the provisions of Article 11:11 and 11:12, of restrictions on textile products maintained or introduced by participating countries under the MFA.

6. Moreover, for the purpose of this Major Review, the TSB decided to present to the Textiles Committee as complete an inventory as possible of the evolution of all restrictions on textile products maintained or introduced by participating countries in the sense of Article 11, throughout the life of the MFA. In undertaking this task, therefore, the TSB has also, in accordance with Article 11:2, collected, for information purposes, data relating to restrictions maintained by participating countries otherwise than under the MFA, e.g. under such GATT provisions as balance-of-payments measures justified under Article XVIII, safeguard measures taken under Article XIX and measures taken in the context of the Protocols of Accession of certain countries to the General Agreement. The result of this survey is given in Chapter 6 of this report and the data referred to have been set out in a series of tables which are contained in Addenda 1-4.
Chapter IA: Economic background

7. After having stagnated in 1971 and risen only slightly in 1975 (when the fall in GNP was concentrated on fixed capital formation and stocks), aggregate private consumption (in real terms) in the developed countries picked up by 4\% per cent in 1976. Its growth slowed down somewhat (to 3\% per cent) in 1977, but accelerated again (to 4\% per cent) in 1978. In 1979, mainly due to its strength in the first half of the year, private consumption in the developed countries showed a rise of 3\% per cent for the year as a whole. In the second half of 1979, however, the expansion of private consumption slowed down and there was a further deceleration in the first half of 1980.

8. In most developing countries, consumption (also in real terms) per head has risen in recent years at a slower rate than in the developed countries. Nevertheless, because of their faster population growth (three times more rapid than in the developed countries) the growth of aggregate consumption in the developing countries can be estimated to have exceeded that in the developed areas.

9. Inflation and unemployment have remained in recent years two of the major problems faced by both developed and developing countries. For the developed countries as a whole the rate of inflation (as measured by the rise in consumer prices) which had slowed down (to about 7 per cent) in 1978, accelerated again in 1979 (to 9 per cent) and in the first quarter of 1980 (to 12 per cent). Total employment in the developed countries continued to rise in 1978 and in the first three quarters of 1979. In the last months of 1979 and the first half of 1980, however, total employment has been stagnating or contracting in most developed countries. Unemployment rates, which had either levelled off or declined slightly during 1978 and 1979, started to rise again in the first half of 1980. In the non-oil developing countries the increase in consumer prices, after having slowed down in 1978 (to 25 per cent), accelerated again in 1979 (to nearly 30 per cent) and in the first quarter of 1980 (to 36 per cent). Despite a further rise in the level of total employment in most developing countries in 1978 and 1979, the rate of unemployment generally remained either at the relatively high level of the preceding years or increased further.

10. In the developed countries, consumer expenditure on clothing, the only category of demand for which more comprehensive data are available, generally increased at a slower rate than total private consumption. Moreover, year-to-year fluctuations have been relatively more pronounced for consumer expenditure on clothing than for total private consumption. An important and growing part of the consumer expendi-

\^This section was prepared by the GATT secretariat at the request of the TSB.
ture on clothing in the industrial countries reflected spending on higher qualities. In the developing countries as a group, from what information is available, it appears that consumption of textiles and clothing expanded faster than in the developed countries.

11. Production of textiles and clothing has also shown wide fluctuations from year to year, reflecting variations in demand for end-use products and movements in stocks. In the developed countries as a whole in 1978 production of textiles stagnated and that of clothing declined marginally, whereas in 1979 production of textiles rose by 4 per cent and that of clothing increased marginally. In the developing countries in 1978 production of textiles increased by 4 per cent and that of clothing by 3 per cent and in 1979 there was a further rise in both industries, by 4 and 3 per cent, respectively.

12. There was a further decline of employment in the textiles and clothing industries of the developed areas in 1978 and 1979. Although available data do not permit a precise assessment of productivity gains, by relating movements in production to those in employment it appears that labour productivity (as measured by this implied indicator) continued to increase markedly in all industrial areas in 1978 and 1979.

13. Foreign trade in textiles and clothing of the member countries of the MFA has expanded substantially in dollar value in 1978 and 1979. A large part of the rise in the dollar value was due to the increase in dollar prices of imports and exports, but there was also an expansion in volume.

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For the purpose of this section, the following definitions are used:

Textiles United Nations International Standard Industrial Classification (ISIC) Major group 321. This includes spinning, weaving and finishing; the manufacture of made-up textile goods except wearing apparel; knitting mills; the manufacture of carpets and rugs; cordage rope and twine industries; and the manufacture of textiles not elsewhere specified. All materials are included.

Clothing ISIC major group 322. This includes the manufacture of wearing apparel, except footwear. All materials are included.

2 Excluding intra-EEC trade.
In the case of textiles, the dollar value of developed member countries' exports increased by 12 per cent in 1978 and by 18 per cent in 1979 and that of their imports by 20 and 28 per cent, respectively. As a result, the export surplus in textiles of the developed member countries declined from $3.6 billion in 1978 to $2.4 billion in 1979. In the case of clothing, the dollar value of developed member countries' imports rose by 23 per cent in 1978 and by 25 per cent in 1979 and that of their exports by 15 and 20 per cent, respectively. As a result, the import surplus in clothing of the developed member countries rose from $7.3 billion in 1977 to $11.9 billion in 1979. As regards the origin of developed member countries' imports, the proportion coming from the developing member countries, which had risen in the preceding years, tended to level off between 1977 and 1979 for both textiles and clothing.

In this section, the definition of developed and developing member countries follows that used in the GATT secretariat's statistics on textiles and clothing compiled for the major review (COM.TEX/W/76 to 78). The groups used are as follows:

**Developed members**

European Communities, United States, Japan, Canada, Austria, Finland, Sweden, Switzerland

**Developing members**

Turkey, Yugoslavia, Romania
Egypt, Israel, Ghana
Bangladesh, India, Pakistan, Sri Lanka, Hong Kong, Korea, Macao, Singapore, Malaysia, Thailand, Indonesia, Philippines, Argentina, Bolivia, Brazil, Colombia, Peru, Uruguay, Mexico, Dominican Republic, El Salvador, Guatemala, Haiti, Jamaica, Trinidad and Tobago

For a more detailed examination of trends in demand, production and trade in textiles and clothing, 1973 to 1979, see the Report by the GATT secretariat for the Textiles Committee, COM.TEX/W/75.
Chapter 1B: Tariffs on textiles and clothing following the Tokyo Round

15. In considering the economic background to the MFA as extended, one relevant factor is the result of the Tokyo Round of multilateral trade negotiations (MTN) which took place under GATT auspices between 1973 and 1979, and whose implementation has now been started. It is to be recalled that the parties to the Arrangement recognized in the preamble thereto that future harmonious development of trade in textiles particularly having regard to the needs of developing countries, also depends importantly upon matters outside the scope of this Arrangement, and that such factors in this respect include progress leading both to the reduction of tariffs and to the maintenance and improvement of schemes of generalized preferences, in accordance with the Tokyo Declaration.

16. In this context, and referring to paragraph 79 of the report of the Textiles Committee meeting of July 1980 (COM.TEX/17), the relevant words of which read, "... taking into account data on changes in restrictions and tariffs compiled by the TSB", the Body decided to include a section on tariffs on textiles and clothing following the Tokyo Round in its report for the Major Review. After surveying a range of possibilities as to the nature, extent and detail in which such a presentation should be made, and after exploring the divergent views of several members, the TSB decided to present only the following succinct summary of the results of the MTN for the textile sector.

17. A comprehensive record of these negotiations was given by the Director-General of GATT in two reports issued in April 1979 and January 1980 respectively. The schedules of bound tariffs, agreed in the Tokyo Round\(^2\), and texts of all the agreements in relation to non-tariff measures which were concluded under the MTN have also been published by the GATT secretariat.

18. The general formula followed in the tariff negotiations was intended both to reduce tariff rates substantially and to reduce the differences between tariff levels applied in each country (i.e. to harmonize tariffs). Developing countries were expected to make contributions according to their trade, financial and development needs.

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1\(^{1}\)The Tokyo Round of Multilateral Trade Negotiations: report by the Director-General of GATT, and Supplementary Report.

2\(^{2}\)These schedules are contained in the volumes of the Geneva (1979) Protocol and Supplementary Protocol to the General Agreement. In addition, a comprehensive list of tariff information available in the secretariat is given in document L/4877.
19. For nine developed participants in the MTN, i.e. Austria, Canada, EEC, Finland, Japan, Norway, Sweden, Switzerland and the United States, the average level of reduction in textiles and clothing has been calculated by the GATT secretariat to be some 20 per cent if calculated on the basis of duties collected (the weighted average), and by some 30 per cent if calculated on a simple average basis. Among developing countries participating in the MTN, four countries submitted schedules in so far as textiles are concerned. One country (Chile) bound all tariffs, including textiles, at a uniform rate; a second (Spain) bound its tariffs on certain textile items; and two others (Korea and Romania) have reduced tariffs on certain textile and clothing items.

20. The implementation of the tariff cuts is to be staged over a number of years which can be up to eight. Certain countries have deferred the beginning of the staging of these tariff cuts until 1 January 1982. Furthermore, the United States has explicitly linked its tariff reductions in this field to the continuation of the MFA or a substitute arrangement (including quantitative restrictions or bilateral agreements). If such an arrangement should cease to be in effect, the United States' rates of textile tariffs will remain at the level existing on 1 January 1975. The EEC, noting the above, made a similar reservation. Other countries - two of them referring to textiles specifically - reserved their rights with respect to their tariff schedules, should their trading partners modify, suspend or withdraw their concessions.

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1See, General Agreement on Tariffs and Trade, the Tokyo Round, Geneva, January 1980, page 35.
Chapter 2: The Protocol Extending the MFA: Status of acceptances of the Protocol

21. The Protocol Extending the MFA was adopted by the Textiles Committee on 14 December 1977. Under this Protocol, the life of the Arrangement was extended for four years, until 31 December 1981.

22. The Protocol reaffirms that the terms of the Arrangement regarding the competence of the Textiles Committee and the TSB are maintained. It also confirms a number of understandings relating to the operation of the Arrangement in the second four-year period. These understandings are contained in the conclusions of the Textiles Committee at its meeting on 14 December 1977.

23. The aim of the Arrangement is reaffirmed in these conclusions as "being to ensure the expansion of trade in textile products, particularly for the developing countries, and progressively to achieve the reduction of trade barriers and the liberalization of world trade in textile products while, at the same time, avoiding disruptive effects on individual markets and on individual lines of production in both importing and exporting countries".

24. The paragraphs of the Textiles Committee's conclusions to which most attention has been given are paragraphs 5:3 and 5:4, which allow for the possibility of "jointly agreed reasonable departures from particular elements in particular cases", while agreeing that "any such departures would be temporary and that participants concerned shall return in the shortest possible time to the framework of the Arrangement".

25. To date, the Protocol of Extension has been accepted by forty-two participants:

- Argentina (subject to ratification)
- Austria
- Bangladesh
- Bolivia (subject to ratification)
- Brazil
- Canada
- Colombia
- Czechoslovakia
- Dominican Republic
- European Communities
- Egypt
- El Salvador
- Finland
- Ghana
- Guatemala
- Haiti
- Hungary
- India
- Indonesia
- Israel

1 See COM.TEX/12/Rev.2, in which the status of acceptances by participating countries as of 1 July 1980 is shown. Egypt has since notified the secretariat of its ratification with effect from 1 September 1980.
Jamaica
Japan
Republic of Korea
Malaysia
Mexico
Pakistan
Peru
Philippines
Poland
Portugal (on behalf of Macao)
Romania

Singapore
Sri Lanka
Sweden
Switzerland
Thailand
Trinidad and Tobago
Turkey
United Kingdom (on behalf of Hong Kong)
United States
Uruguay
Yugoslavia

Five countries which have accepted the Protocol of Extension did not participate in the first MFA period: Bangladesh, Czechoslovakia, Dominican Republic, Indonesia and Peru. Australia, Nicaragua, Norway and Spain, which were participants in the period 1974-1977, have not accepted the Protocol.
Chapter 3: Membership and overall activities of the TSB

A. Membership of the TSB

26. In accordance with Article 11:1 of the MFA, the Textiles Surveillance Body consists of a Chairman and eight members appointed by the parties to the Arrangement. Throughout the life of the MFA importance has been attached to the requirement that the membership of the TSB be balanced and broadly representative of all participants. The Textiles Committee, bearing in mind the need to preserve such balance, nominates each year the countries which designate the members. In view of the task conferred on the TSB under the Arrangement, importance has been attached to its members being designated ad personam so as to ensure the competence and homogeneity of the Body. The members share with the Chairman the responsibility of carrying out the TSB's functions as set out in the Arrangement.

27. Since the TSB is considered as a standing body and given its various activities and the preparatory work involved, members are expected to devote the whole, or at least the greater part of their time in participating fully in the work of the Body, as a coherent team. It has been stressed that attendance of all members in TSB meetings is important in order to ensure that the delicate balance arrived at after lengthy negotiations of all participants to the MFA be maintained. In this connexion the TSB agreed to include a list of members present at each meeting in its reports to the Textiles Committee. In order to secure the continuity and efficiency of the work of the TSB, it was also agreed that members should be able to nominate alternates who receive all the documentation of the TSB and who are eligible to serve as a full member in the event of the unavoidable absence of the nominated member.

28. At its meeting on 14 December 1977, the Textiles Committee reaffirmed that the competence of the TSB should be maintained, and that the term of office of the Chairman of the TSB, Ambassador Paul Wurth, should be extended for the duration of the extended arrangement, until 31 December 1981.

29. The membership of the TSB, and the participants nominating members as well as their alternates for the period 1978-1980 have been as follows:
Members and Alternates of the TSB in the years 1978-1980

<table>
<thead>
<tr>
<th>Members</th>
<th>1978</th>
<th>Alternates</th>
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<tr>
<td>Mr. J. Suarez (Colombia)</td>
<td></td>
<td>Miss E. Arciniega (Peru)</td>
</tr>
<tr>
<td>Mr. I. Klasic (EEC) (replaced by Mr. J. Beck in September)</td>
<td></td>
<td>Mr. J. Beck (EEC)</td>
</tr>
<tr>
<td>Mr. E. Hagfors (Finland) (replaced by Mr. S. Patek in May)</td>
<td></td>
<td>Mr. E. Hagfors (Finland)</td>
</tr>
<tr>
<td>Mr. P. Kumar (India)</td>
<td></td>
<td>Mr. M.A.B. Hamza (Egypt)</td>
</tr>
<tr>
<td>Mr. K. Terada (Japan) (replaced by Mr. K. Kujirai in July)</td>
<td></td>
<td>Mr. N. Abe (Japan)</td>
</tr>
<tr>
<td>Mr. C.S. Shin (Korea) (replaced by Mr. N.S. Park in October)</td>
<td></td>
<td>Mr. P. Tsao (Hong Kong) (acted in the interim - end June/mid October as a member)</td>
</tr>
<tr>
<td>Mr. V. Jayanama (Thailand)</td>
<td></td>
<td>Mr. D. Bondad (Philippines)</td>
</tr>
<tr>
<td>Mr. H. Phelan (United States)</td>
<td></td>
<td>Mr. S. Patek (Sweden) (replaced by Mr. M. Pullinen in September)</td>
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<tr>
<th></th>
<th>1979</th>
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<tr>
<td>Mr. R.J. Martin (Canada)</td>
<td></td>
<td>Miss E. Arciniega (Peru)</td>
</tr>
<tr>
<td>Mr. J. Suarez (Colombia)</td>
<td></td>
<td>Mr. L. de Gouvion St. Cyr (EEC)</td>
</tr>
<tr>
<td>Mr. J. Beck (EEC)</td>
<td></td>
<td>Mr. M. Hamid (Pakistan)</td>
</tr>
<tr>
<td>Mr. M. Hamza (Egypt) (replaced by Mr. A. El Gowhari in August)</td>
<td></td>
<td>Mr. N.S.Park (Korea)</td>
</tr>
<tr>
<td>Mr. P. Tsao (Hong Kong) (replaced by Mr. T.H. Chau in September)</td>
<td></td>
<td>Mr. N. Abe (Japan) (replaced by Mr. T. Imai in September)</td>
</tr>
<tr>
<td>Mr. K. Kujirai (Japan)</td>
<td></td>
<td>Mr. M. Seng Paselleri (Indonesia)</td>
</tr>
<tr>
<td>Mr. V.B. Valdepenas (Philippines)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mr. H. Phelan (United States) (replaced by Mr. R. Shepherd in August)</td>
<td></td>
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</tr>
</tbody>
</table>
Members

Mr. C.A. Rego Santos-Neves (Brazil)
Mr. J.R. Beck (EEC)
Mr. M. Pullinen (Finland)
Mr. Safioen (Indonesia)
Mr. K. Kujirai (Japan)
Mr. N.S. Park (Korea)
(replaced by Mr. K.C. Lee in September)
Mr. M. Hamid (Pakistan)
(replaced by Mr. M.A. Bajwa in March)
Mr. R.E. Shepherd (United States)

Alternates

Mr. A. Moerzinger (Uruguay)
Mr. L. de Gouvion St. Cyr (EEC)
Mr. R.J. Martin (Canada)
Mr. Kai Hian Seow (Singapore)
Mr. T. Imai (Japan)
Mr. T.H. Chau (Hong Kong)

Mr. A. Hussain (India)
B. Overall activities of the TSB

(a) Review of notifications

30. A major activity carried out by the TSB is the review of all measures taken by participants, be they unilateral actions or bilateral agreements, in the light of the provisions of the Arrangement. The TSB considers each of the notifications received on a case-by-case basis and on its own merits.

31. All notifications received and reviewed and reports on the meetings held over the period have been circulated in the COM.TEX/SB/- series of documents. The reports of the TSB have included summaries of the major points discussed, along with such comments or observations deemed appropriate by the TSB as well as full statements of any recommendations, findings or decisions taken by the Body.

32. The review of measures notified under the different provisions of the Arrangement has continued to be conducted under the following procedures laid down in COM.TEX/SB/35 and COM.TEX/SB/83 (Annex):

(i) Participating countries which have concluded bilateral agreements under Article 3, or which have invoked Article 3 in taking unilateral measures, are required to communicate the text of the agreement reached and to submit factual statements of the reasons and justifications for the request for restraint. In this connexion, an indicative check-list of elements to be taken into account in the consideration of actions taken under Article 3 was prepared by the TSB to assist participating countries both in the negotiation of agreements and in the preparation of information for the TSB.

(ii) Notifications of bilateral agreements concluded under Article 4 are to include the full text of the bilateral agreement and all related documentation as well as a short reasoned statement demonstrating that the agreement was entered into in order, on the one hand, to eliminate real risks of market disruption in importing countries and disruption to the textile trade of exporting countries, and on the other hand to ensure the expansion and orderly development of trade in textiles and the equitable treatment of participating countries; and indicating that the provisions of paragraph 3 of Article 4 have been satisfied. In the case of several agreements, the comments made by the TSB with respect to certain elements thereof are contained in its reports to the Textiles Committee.

(iii) Notifications of bilateral agreements concluded with, or restrictions imposed on, non-participating countries have continued to be made in accordance with the decision of the Textiles Committee that such actions taken vis-à-vis non-participants should be notified to the TSB. The TSB has taken cognizance of these notifications and has transmitted them to the Textiles Committee for information under Articles 7 and 8.
33. The TSB, in compliance with the provisions of Article 11, paragraphs 11 and 12 had, each year, invited all participating countries to inform the TSB of the status of their restrictions, if any, on textile products. Pursuant to its request, the TSB had received from the majority of participating countries annual notifications reporting on the situation in 1978 and 1979. After reviewing these notifications the TSB had circulated them to the Textiles Committee, for information.

34. In connexion with the Major Review, the TSB felt that it was necessary to present to the Textiles Committee as complete an inventory as possible of all such restrictions. Accordingly, a letter was sent by the Chairman of the TSB to the participating countries in April 1980, seeking information under Articles 11:11, 11:12 and 11:2 on restrictions introduced or maintained by them on textile products covered by the Arrangement since its extension on 1 January 1978.

35. In this connexion, information was sought in particular on all existing unilateral quantitative restrictions, bilateral agreements and any other quantitative measures in force which had a restrictive effect, be they effected by participating countries under the MFA or outside its provisions vis-à-vis other participants, or non-participants. Measures which were in effect as of 1 January 1978, or which had been introduced since that date, were to be listed even if they had expired in the meanwhile. In cases where restrictions were justified under the provisions of the GATT including its Annexes and Protocols, these were to be notified for information purposes, with reference to the GATT Article or the Protocol under which they were justified. Participants were requested to reply to the Chairman's letter by 20 June.

36. The TSB considered the replies and decided to transmit them to the Textiles Committee and to include the information contained in the notifications in the tables contained in the Addenda to the present report. The TSB's report on this matter, showing the evolution of restrictions on textile trade in participating countries since the beginning of the Arrangement, is contained in Chapter 6 below.

(b) Dispute settlement

37. Another main function of the TSB is the settlement of disputes arising from:

(i) unilateral actions taken under Article 3, paragraph 5;

(ii) any matter referred to the Body under Article 11, paragraphs 4 to 10, in the absence of a mutually agreed solution between the parties concerned.
38. In all cases of disputes, and before formulating its recommendations, the TSB, as required by Article 11, paragraph 6, invites the participation of such participating countries as may be directly affected by the matter in question. These participants may present their respective cases orally and/or in writing and respond to any relevant questions put to them by members of the TSB. It had been agreed in the TSB that a member of the TSB whose country is party to the dispute should not present the case for his country, but that another spokesman from that country should advocate it.

39. In May 1978, the TSB reviewed its former procedures in cases involving disputes between countries which have members on the TSB and others which have not. The revised version of such procedures is contained in Annex I to COM.TEX/SB/319, which notes, inter alia, that the spokesman for both the country having a member on the TSB and that which has not, should be invited to present their cases fully; and that the party not having a member on the TSB would be invited to designate a person who, after the presentation of the case by the two delegations and the questioning phase, could then participate in the remaining phase of the discussion up to, and including, the drafting of the recommendations. It is understood, however, that consensus within the Body on the form and content of such recommendations does not require the assent or concurrence either of the concerned member of the Body or of the designated person from the other party.

40. The TSB, besides exercising its functions in cases of disputes, has always attempted to use its conciliatory role to bring about an amicable settlement between the parties concerned, and has, in a number of cases, requested the parties to resume consultations with a view to reaching a mutually acceptable agreement. (Chapter 4 below contains a discussion of the dispute cases arising during the period under review.)

(c) Reports of the TSB

(i) Regular and annual reports

41. In addition to its regular reporting to the Textiles Committee on agreements or unilateral measures considered by the Body, the TSB has in the period under review also submitted two reports dealing with its activities during the period from November 1976 to 20 October 1978 and from 21 October 1978 to 30 November 1979. These reports were prepared to assist the Committee in its review of the operation of the Arrangement as provided for in paragraph 4 of Article 11, and also in fulfillment of the TSB's obligations under Article 11, paragraphs 11 and 12. These are contained, respectively, in documents COM.TEX/SB/365 and COM.TEX/SB/519.

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1The guidelines for such procedures were first set down in COM.TEX/SB/30/Add.1, Annex I.

2See Introduction, paragraph 3.
(ii) Report on variations from Annex B

42. At the meeting of the Textiles Committee in December 1979, the TSB was requested to prepare a catalogue of all cases where the provisions of agreements entered into under the extended MFA involved variations from the provisions of Annex B of the Arrangement. This report, which was circulated to members of the Textiles Committee as COM.TEX/SB/576 and Corr.1, is discussed in Chapter 7 below.
Chapter 4: Notifications reviewed since 1 January 1978

43. During the period under consideration, the TSB reviewed notifications from participating countries of bilateral agreements concluded under Articles 3 and 4, and of unilateral measures taken under Article 3, and transmitted them, together with any comments or observations, to the Textiles Committee. It also received notifications of bilateral agreements and of unilateral measures with respect to non-participating countries. These were transmitted to the Textiles Committee for information under Articles 7 and 8.

44. All notifications transmitted to the Textiles Committee are included in the COM.TEX/SB/- series of documents. Information concerning these notifications is given in this chapter under (A) Article 3 notifications, (B) Article 4 notifications and (C) notifications under Articles 7 and 8. Any observations made by the TSB regarding bilateral agreements concluded under paragraph 4 of Article 3 or under Article 4 are to be found in Chapter 5 of this report. The TSB's findings and recommendations after its examination of unilateral measures taken under paragraphs 5 and 6 of Articles 3 are contained in this chapter.

A. Article 3 notifications

45. During the period 1 January 1978 to 20 September 1980, the TSB received five notifications of bilateral agreements concluded under paragraph 4 of the Article. It also received notifications of unilateral measures taken under paragraphs 5 and 6 of Article 3. These concerned five measures taken under paragraph 5, one of which was extended for a further period pending consultations; and one under paragraph 6, which was also extended for a further period pending consultations. All measures taken under paragraph 5 have been superseded by bilateral agreements. Furthermore, termination of eight measures taken in 1977 was also notified. The TSB was also informed that two measures taken in 1976-77 had lapsed. In accordance with its procedures, the TSB reviewed the bilateral agreements and transmitted them to the Textiles Committee. The TSB also examined the unilateral measures notified to it under paragraphs 5 and 6. In discharging its functions under the Arrangement, and in particular under paragraphs 5 and 6 of Article 3, the TSB made its recommendations having due regard to its established conciliatory rôle. These bilateral agreements, unilateral measures, or terminations of measures concerned the following countries:

Austria : Brazil, Hong Kong, Korea
Canada : Brazil, Hong Kong, India\(^2,3,4\), Malaysia\(^2,4\), the Philippines\(^2,3\)
EEC : Colombia, Egypt, India\(^4\), Macao, Pakistan\(^4\), and the Philippines\(^4\)

\(^1\)Some notifications recently received, are awaiting review by the TSB.
\(^2\)Unilateral measure
\(^3\)Extension of unilateral measure
\(^4\)Termination of unilateral measure
The following paragraphs and the table below, summarize the notifications on a country-by-country basis. Tables in the addenda to this report give added details.

**Austria**

46. A bilateral agreement was concluded with Brazil for the period 1 November 1978 to 31 October 1981, with regard to exports of cotton yarn and printed fabrics. An agreement with Hong Kong was concluded for the period 1 February 1979 to 31 January 1980, with regard to exports of shirts, not knitted or crocheted, of cotton or man-made fibres. The agreement included a memorandum of understanding of a system of export authorization to cover other textile exports from Hong Kong. This agreement superseded a bilateral surveillance system with respect to eighteen categories of clothing items for the period 1 February 1978 to 31 January 1979. Austria notified two agreements concluded with Korea. One constituted a new agreement on outergarments of knitted synthetic fibres, woven blouses and shirt-blouses of synthetic fibres. The agreement covered the period running from 1 July 1978 to 31 July 1979. The second related to an extension of a previous agreement for a twelve-month period ending 31 July 1978, with respect to imports of socks of synthetic fibres.

**Canada**

47. In July 1977 the TSB had examined a unilateral measure notified by Canada with respect to imports of polyester filament fabrics and bedsheets from Hong Kong. In accordance with the TSB's recommendation a mutually acceptable solution had been found with respect to polyester filament fabrics during the course of the year. Consultations between the two parties with respect to bedsheets continued into 1978. In accordance with the TSB's request for a report on these consultations by 31 March 1978, Hong Kong informed the TSB in April 1978 that the restrictions on bedsheets had been lifted by Canada (at the time Canada had not signed the Protocol extending the Arrangement).

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1. Unilateral measure
2. Termination of unilateral measure
3. See COM.TEX/SB/283
4. See COM.TEX/SB/322
48. Four measures taken under paragraph 5 and one measure under paragraph 6 were notified by Canada. Three of these measures related to imports from India, one measure concerned imports from Malaysia, and one measure was taken against imports from the Philippines.

49. The first measure taken with respect to imports from India concerned imports of cotton terry towels, wash cloths, bath mats and sets, for the period 15 November 1978 to 31 December 1979. The TSB heard presentations by delegations from India and Canada of their respective cases. The TSB noted that both parties were in the process of resuming consultations with a view to concluding a bilateral agreement which could include these products. In the circumstances the TSB requested both parties to report on the results achieved by 1 August 1979. The parties were unable to notify the TSB on this matter by that date. Subsequently, the Canadian authorities informed the Chairman that negotiations between the parties were continuing, and that they would inform the TSB of their results. Canada informed the TSB in February 1980, that in the absence of reaching a mutually acceptable solution with India, it had decided to continue the measure for a further nine-month period beginning 1 January 1980. The TSB noted the statements by both parties, that negotiations would continue and their joint request that the TSB defer further consideration of the matter. The TSB recommended that the parties resume consultations promptly with a view to reaching a mutually acceptable agreement and requested the parties to report the result of these consultations to the TSB by 1 May 1980, at which time it would revert to the matter. (See also paragraph 55 below.)

50. The second measure taken under Article 3:5 with respect to imports from India concerned (a) shirts with tailored collars for men and boys; (b) blouses and shirts for women and girls; and (c) dresses and skirts, for the twelve-month period beginning 1 October 1979. These measures had been imposed in the absence of an agreement having been reached in the consultations and negotiations held till then between the two parties under Articles 3 and 4.

51. The TSB heard statements by both parties of their respective positions, in the course of which it appeared that more precise information could have been given at the time of the consultation. The TSB noted that there was a probability that Canadian imports of the above-mentioned products from India included such products made of handloom fabrics by the Indian cottage industry and, thus, possibly subject to the provisions of Article 12, paragraph 3. In the absence of a breakdown of the component products, however, the TSB could not establish the relative level of products that could be exempt.

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1See COM.TEX/SB/407
2See COM.TEX/SB/557
52. The TSB noted that additional data had recently been provided, and believed that the possibility still existed for further consultation between the parties concerned aimed at arriving at a mutually acceptable solution, and took note of their willingness to do so. In the circumstances, the TSB recommended that the parties enter into consultation promptly with a view to reaching a mutually acceptable agreement, and requested both parties to report back to the TSB not later than 29 February 1980, at which time the TSB would revert to this matter. In accordance with this request, the TSB was informed during its meeting of 25 to 27 February, that consultations between the parties were still continuing (see also paragraph 55 below).

53. The TSB also considered a measure taken by Canada with respect to imports from India of worsted fabrics for the twelve-month period beginning 1 October 1979. The TSB noted that these measures had been imposed in the absence of an agreement having been reached in the consultations and negotiations so far held between the two parties under Articles 3 and 4.

54. The TSB heard statements by both parties of their respective positions and noted that the parties intended to continue the negotiations. The TSB therefore recommended that the parties resume consultations promptly with a view to reaching a mutually acceptable agreement and requested the parties to report the results of these consultations to the TSB by 1 May 1980, at which time it would revert to the matter.

55. The TSB has recently received a notification from Canada of a bilateral agreement concluded with India under the provisions of Article 4, for the period 1 January 1980 to 31 December 1981. This agreement covers inter alia, all products subject to unilateral measures, and supersedes the actions.

56. Canada notified an action taken under Article 3:5 concerning imports of worsted spun acrylic yarn from Malaysia. Restrictions on imports of this item were imposed for a thirteen-month period beginning 1 November 1978.

57. The TSB heard presentations by delegations from Canada and Malaysia, and noted that this action, which was notified to the Malaysian authorities on 22 January 1979, arose from a request made by Canada on 30 August 1978, to Malaysia with a view to concluding an export restraint arrangement regarding this item.

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1 See COM.TEX/SB/521
2 See COM.TEX/SB/557
3 See COM.TEX/SB/557
4 See below, section on Article 4 notifications
58. The TSB also noted that at the time the request was made, both Canada and Malaysia were not parties to the MFA, and that they subsequently accepted the Protocol of Extension on 24 October 1978 and 19 February 1979 respectively. Malaysia, following its acceptance of the Protocol of Extension, invoked its rights under Article 11:5 requesting the TSB to review the Canadian action.

59. It emerged from the discussion that both parties agreed to meet on 12 April 1979 with a view to arriving at a mutually satisfactory solution. The TSB noted that, at the time of such negotiations, the measure continued to be in force. In the circumstances, the TSB recommended both parties to report on the results forthwith and decided to defer examination of this matter pending the outcome of the negotiations.1/

60. The negotiations resulted in the conclusion of a bilateral agreement between the parties under the provisions of Article 4, for the period 1 January 1980 to 31 December 1981, which covers inter alia acrylic yarn.2/

61. In March 1979 the TSB had taken note of a notification made by Canada of a restriction under Article 3:6 on imports from the Philippines3/ of men's structured suits and jackets for the calendar year 1979. This action had been notified as an interim measure pending consultations. In the absence of finding a mutually acceptable solution during 1979, Canada notified in January 1980 the extension of the measure for a further twelve-month period. The TSB took note that consultations between the two parties would take place shortly, and agreed to defer consideration of this matter pending notifications of the results.4/

62. A new bilateral agreement under Article 3:4 was concluded between Canada and Brazil with respect to imports of machine-knitting and hand-knitting acrylic yarns, (excluding yarns spun on the cotton system). The agreement is valid for the period 1 January 1979 through 31 December 1980.

63. At its meeting in April 1978, the TSB received a communication from the EEC informing it that the previous measures taken by the Community under Article 3:5 with respect to imports from Colombia, Egypt, India, Macao, Pakistan and the Philippines had been terminated as of 31 December 1977.5/

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1/ See COM.TEX/SB/429
2/ See below, section on Article 4 notifications
3/ See COM.TEX/SB/537
4/ See COM.TEX/SB/319
Agreements concluded under Article 4 with each of Colombia, Egypt, India, Macao, Pakistan and the Philippines, superseded the above-mentioned restrictions. 1/ The EEC further informed the TSB that a communication would be made at a later date concerning the measures taken with respect to imports from Spain. The TSB was subsequently informed that these restrictions had lapsed on 31 December 1977.

Sweden

64. Two cases under Article 3:5 with respect to imports into Sweden of bedlinen and women's blouses from India and of shirts and blouses from Pakistan were still pending before the TSB at the beginning of 1978. (See COM.TEX/SB/365 paragraphs, 24, 25, and 26.) The TSB was informed by Sweden that the restrictions had lapsed on 31 December 1977. The parties concerned stated therefore, that they did not intend to pursue the matter further. 2/

United States

65. The United States notified a unilateral measure taken by it under Article 3:5(i) of the MFA with respect to imports of brassières from the Dominican Republic. This measure, which followed a request addressed by the United States to the Dominican Republic on 30 November 1978, became effective as of 12 March 1979, prior to the acceptance by the Dominican Republic of the MFA as extended by the Protocol.

66. Following its acceptance on 14 March 1979, the Dominican Republic requested the TSB to review the measures taken by the United States in accordance with the relevant provisions of Article 3 and with Article 11, paragraph 5.

67. The TSB heard presentations by delegations from the United States and the Dominican Republic concerning their respective case. The TSB noted that the two parties had previously negotiated under Articles 3 and 4, and that they had agreed to resume negotiations on 2 May 1979. The TSB, therefore, recommended that these negotiations be continued having regard to all the relevant provisions of the MFA, and requested both parties to report on the results achieved when the TSB would revert to this matter, if necessary. 3/

68. An agreement concluded with the Dominican Republic under Article 4 1/ was notified by the United States. This agreement superseded the above-mentioned restraint action.

1/ See below, section on Article 4 notifications.
2/ See COM.TEX/SB/365, paragraph 56.
3/ See COM.TEX/SB/431.
4/ See below, section on Article 4 notifications.
Notifications Received and/or Reviewed of Measures Taken Under Article 3 Since 1 January 1978 Until 20 September 1980

N: New  M: Modification  E: Extension  T: Termination

<table>
<thead>
<tr>
<th>Importing country</th>
<th>Bilateral agreements under 3:4</th>
<th>Unilateral action under 3:5</th>
<th>Unilateral action under 3:6</th>
<th>COM.TEX/SB/-</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>Brazil (N) (1.11.78-31.10.81)</td>
<td></td>
<td></td>
<td>385</td>
</tr>
<tr>
<td></td>
<td>Hong Kong (N) (1.2.79-31.1.80)</td>
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<td></td>
<td>417</td>
</tr>
<tr>
<td></td>
<td>Korea (a)(E)(1.8.78-31.7.79)</td>
<td></td>
<td></td>
<td>363</td>
</tr>
<tr>
<td></td>
<td>(b)(N)(1.7.78-31.7.79)</td>
<td></td>
<td></td>
<td>362</td>
</tr>
<tr>
<td>Canada</td>
<td>Brazil (N) (1.1.79-31.12.81)</td>
<td>Hong Kong (T) (11(16).3.77-11(16).3.78)</td>
<td></td>
<td>587</td>
</tr>
<tr>
<td></td>
<td>India (a)²/(15.11.78-31.12.79 extended to 30.9.80)</td>
<td></td>
<td></td>
<td>407, 518, 557, 571</td>
</tr>
<tr>
<td></td>
<td>(b)²/(1.10.79-30.9.80)</td>
<td></td>
<td></td>
<td>480, 521, 571</td>
</tr>
<tr>
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<td>(c)²/(1.10.79-30.9.80)</td>
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<td></td>
<td>557, 571</td>
</tr>
<tr>
<td></td>
<td>Malaysia³/ (1.11.78-31.12.78)</td>
<td>Philippines (1.1.79-31.12.79 extended to 31.12.80)</td>
<td></td>
<td>429, 537</td>
</tr>
<tr>
<td>EEC</td>
<td>Colombia (T)</td>
<td></td>
<td></td>
<td>284, 317</td>
</tr>
<tr>
<td></td>
<td>Egypt (T)</td>
<td></td>
<td></td>
<td>285, 317</td>
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<tr>
<td></td>
<td>India (T)</td>
<td></td>
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<td>286, 317</td>
</tr>
</tbody>
</table>

¹/ For original agreement and previous extension, see COM.TEX/SB/192, and 271
²/ The action was superseded by a bilateral agreement concluded under Article 4 (COM.TEX/SB/613)
³/ The action was superseded by a bilateral agreement concluded under Article 4 (COM.TEX/SB/573).
**Notifications Received and/or Reviewed of Measures Taken Under Article 3 Since 1 January 1972 Until 20 September 1983**

<table>
<thead>
<tr>
<th>Importing country</th>
<th>Bilateral agreements under 3:4</th>
<th>Unilateral action under 3:5</th>
<th>Unilateral action under 3:6</th>
<th>COM.TEX/SB/-</th>
</tr>
</thead>
<tbody>
<tr>
<td>EEC (Cont'd)</td>
<td></td>
<td>Macao (T)</td>
<td>Pakistan (T)</td>
<td>287, 317</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Philippines (T)</td>
<td>Spain (T)</td>
<td>288, 317</td>
</tr>
<tr>
<td>USA</td>
<td>Dominican Rep. 1/</td>
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<td></td>
<td>289, 317</td>
</tr>
<tr>
<td></td>
<td>(1.11.78-31.10.79)</td>
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<td></td>
<td>290, 317</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>U31</td>
</tr>
</tbody>
</table>

1/ The action was superseded by a bilateral agreement concluded under Article 4 (COM.TEX/SB/472).
B. Article 4 notifications

69. During the period 1 January 1978 to 20 September 1980 the TSB received 198 notifications of bilateral agreements or amendments thereof, concluded between participating countries under Article 4. 1/ 88 notifications concerned new agreements. 2/ 108 notifications related to the extension and/or modification of existing agreements. 3/ One notification related to the replacement of a previous agreement by a consultation arrangement, and one notification concerned the termination of a previous agreement. 4/ The participants involved are:

<table>
<thead>
<tr>
<th>Country</th>
<th>Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>Egypt, Hong Kong, India, Korea, Macao, Pakistan</td>
</tr>
<tr>
<td>Canada</td>
<td>Hong Kong, India, Japan, Korea, Macao, Malaysia, the Philippines, Poland, Romania, Singapore, Sri Lanka, Thailand</td>
</tr>
<tr>
<td>EEC</td>
<td>Argentina, Bangladesh, Brazil, Colombia, Egypt, Guatemala, Haiti, Hong Kong, Hungary, India, Indonesia, Korea, Macao, Malaysia, Mexico, Pakistan, Peru, the Philippines, Poland, Romania, Singapore, Sri Lanka, Thailand, Uruguay, Yugoslavia</td>
</tr>
<tr>
<td>Finland</td>
<td>Hong Kong, India, Korea, Macao, Malaysia, Singapore, Thailand</td>
</tr>
<tr>
<td>Sweden</td>
<td>Hong Kong, India, Korea, Macao, Malaysia, Pakistan, the Philippines, Singapore, Sri Lanka, Thailand, Yugoslavia</td>
</tr>
<tr>
<td>United States</td>
<td>Brazil, Colombia, Dominican Republic, Egypt, Haiti, Hong Kong, India, Jamaica, Japan, Korea, Macao, Malaysia, Mexico, Pakistan, the Philippines, Poland, Romania, Singapore, Sri Lanka, Thailand, Yugoslavia</td>
</tr>
</tbody>
</table>

1/ Of these, the TSB had received eight notifications regarding bilateral agreements or amendments thereto concerning participants which at the time of notifications had not signed the Protocol extending the Arrangement. These had been transmitted to the Textiles Committee under Articles 7 and 8. As the parties concerned have subsequently signed the Protocol of Extension, these notifications have been treated in the present section, in order to give as complete a picture as possible.

2/ Of these, three agreements have been recently notified, and have not as yet been reviewed by the TSB.

3/ Eleven amendments are awaiting review by the TSB.

4/ Since 20 September, the TSB has received two notifications from Sweden of bilateral agreements concluded by it with Malaysia and Thailand. Details of these agreements have not been included in this chapter.
70. The TSB reviewed the notifications in accordance with its procedures for submissions under Article 4. Any comments made by the TSB regarding these notifications is contained in Chapter 5 of this report. The following paragraphs and the table below summarize the notifications on a country-by-country basis. Tables contained in the addenda to this report give details regarding base levels, growth and flexibility provisions contained in the agreements.

Austria

71. Austria notified the TSB of the termination of a bilateral agreement with Egypt on cotton yarn. The two parties agreed to enter into consultations if exports of cotton yarn from Egypt were to cause real risks of market disruption. An agreement with Hong Kong was concluded for the period 1 February 1980 to 31 January 1981, superseding a previous Article 3 agreement. Export restraints were agreed for shirts, blouses, slacks, jeans, trousers, etc., not knitted or crocheted, of cotton or man-made fibres. An export authorization system was introduced with respect to several clothing items. A previous bilateral agreement with India was extended for a four-year period ending 31 December 1981. The products covered by this agreement are finished fabrics and miscellaneous products of cotton, (other than yarn, grey goods, terry towels and towelling); woven blouses, woven shirts and bedlinen of cotton.

72. Four notifications were received with respect to imports from Korea; three concerning the extension of existing agreements and one relating to a new agreement superseding the previous ones. Two notifications related to extensions of an existing agreement with respect to exports of cotton fabrics, garments and other finished products. The first was for a twelve-month period ending 31 December 1978, and the second for a further seven-month period. One notification concerned the extension of an agreement on woven shirts of synthetic fibres for the period 1 August 1978 to 31 July 1979. A new agreement, concluded for the period 1 August 1979 to 31 July 1982, which superseded the agreements mentioned above, and is valid for the period 1 August 1979 to 31 July 1982, resulted in the liberalization of nine textiles and clothing items of cotton, and socks of synthetic fibres, previously under restraint, and the partial liberalization of two clothing items. These products have been included in a list of products subject to consultation. Two categories not previously under restraint were given quota levels. As a result, the new agreement has seven categories, including blouses, shirts and outer garments, under restraint, while the previous agreements covered fifteen categories.

The notifications transmitted under Articles 7 and 8 relate to the following trading partners: Austria/Macao, EEC/Argentina, Finland/Macao, Sweden/Macao, Sweden/Malaysia, United States/Malaysia.
73. A previous agreement with Macao concerning woven shirts of discontinuous synthetic fibres or of cotton was extended for a four year period beginning 1 January 1978. A previous agreement with Pakistan, which expired on 31 December 1977, was replaced by a consultation arrangement with respect to exports of cotton textiles from Pakistan.

Canada

74. Canada, which signed the Protocol of Extension in October 1978, notified new bilateral agreements concluded with Hong Kong, India, Japan, Korea, Macao, Malaysia, the Philippines, Poland, Romania, Singapore, Sri Lanka and Thailand.

75. The agreement with Hong Kong covers the period 1 January 1979 to 31 December 1981. Twenty-six categories of products covering winter outer-garments, suits, shirts, blouses and T-shirts, etc., sweaters, pullovers, etc., trousers, dresses and skirts, underwear, children's and infant's wear, jackets, nightwear, foundation garments, swimwear, overalls, overcoats, etc., dressing gowns, etc., work gloves, bedsheets and cotton terry towels are subject to quota levels, while four categories of products are under a mutually agreed Export Authorization System.

75A Canada has notified a two year agreement starting 1 January 1980 with India. This agreement has superseded the unilateral measures taken by Canada under Article 3.5 (see section A above). Product coverage includes shirts, blouses, pants and trousers, etc., sportswear, jackets, cotton terry towels and wash cloths, worsted fabric and work gloves. This agreement has been recently received and has not as yet been reviewed by the TSB.

76. An agreement with Japan was concluded for the period 1 January 1978 to 31 December 1979 covering imports of polyester filament fabrics, nylon fabrics and acrylic spun yarn. Canada concluded a three year agreement with Korea beginning 1 January 1979. Nineteen categories of clothing items, including winter outer-garments, suits, shirts, sweaters, pullovers, etc., blouses and T-shirts etc., trousers, etc., overalls, dresses and skirts, children's and infants' wear, overcoats, jackets, nightwear, foundation garments underwear and swimwear, and four non-clothing categories covering yarns, fabrics, household textiles and miscellaneous textiles are under restraint in this agreement.

77. A three year agreement was concluded with Macao for the period 1 January 1979 to 31 December 1981. Product coverage includes winter outer-garments, shirts, blouses, T-shirts, sweaters and pullovers, trousers, overalls and jackets. In a subsequent amendment, this coverage has been broadened to include suits and work gloves. The two-year agreement beginning 1 January 1980 with Malaysia concerns export restraints with respect to shirts with tailored collars, blouses and acrylic yarn. This agreement superseded the unilateral action taken by Canada (see above).

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1/ This notification had been transmitted under Articles 7 and 8 as Macao had not signed the Protocol of Extension at the time of notifications.

2/ These notifications have been recently received, and not as yet reviewed by the TSB.
78. Canada notified a three year agreement with the Philippines, beginning 1 January 1979, containing restraints on nine categories of clothing items, including winter outergarments, shirts, blouses, T-shirts, sweaters and pullovers, suits, dresses and skirts, underwear and foundation garments and children's wear, as well as acrylic yarn and handbags. An agreement with Poland was concluded with regard to suits, shirts, sweaters and pullovers, T-shirts, nightwear, children's and infant's clothing, broadwoven fabrics and household products. The agreement covers the three-year period 1 January 1979 to 31 December 1981.

79. Canada notified a three year agreement beginning 1 January 1979, with Romania. Product coverage in the agreement includes structured suits, shirts, T-shirts, sweaters and pullovers, trousers, overcoats, jackets, winter outergarments and worsted fabrics. An agreement with Singapore for the period 1 July 1979 to 30 June 1982 covers clothing items including winter outergarments, shirts, blouses, T-shirts, sweatshirts, dresses, skirts and suits, jackets, and acrylic yarn, as items under restraint, while trousers, sweaters and pullovers etc., are subject to an export authorization system. A two and half year agreement with Sri Lanka starting 1 July 1979 was notified by Canada. The agreement concerns exports of shirts with tailored collars and jackets.

79.A An agreement with Thailand has been recently notified by Canada. It has restraint on winter outergarments for a three-year period beginning 1 January 1979, and on shirts, blouses, dresses, skirts etc. and work gloves for the period 1 January 1980 to 31 December 1981. Pants, overalls, coveralls etc. are subject to export authorization.

80. It may be useful to recall that in November 1976, the Canadian Government had taken action under GATT Article XIX, with respect to certain yarns and clothing items. The action was terminated on 31 December 1978. Based on a report and recommendations made by the Canadian Clothing and Textiles Board, the Government had entered into bilateral agreements with the significant suppliers in 1977 and 1978, before Canada signed the Protocol extending the Arrangement. In a number of cases restraint arrangements had been agreed upon with respect to certain products, for periods before the agreement periods mentioned in the paragraphs above. Such restraint arrangements have been included in the texts of the agreements.

EEC

81. Twenty-five new agreements were notified by the EEC. These were concluded with Argentina, Bangladesh, Brazil, Colombia, Egypt, Guatemala, Haiti, Hong Kong, Hungary, India, Indonesia, Korea, Macao, Malaysia, Mexico, Pakistan, Peru, the Philippines, Poland, Romania, Singapore, Sri Lanka, Thailand, Uruguay and Yugoslavia. Of these, four (with Egypt, Hungary, India and Pakistan) were concluded for a four-year period beginning 1 January 1978 and subject to an extension by one year; the agreement with Poland was concluded for the period 1 January 1979 to 31 December 1981, and subject to extension by one year; all other agreements cover the period 1 January 1978 to 31 December 1982.
82. In 1978 the Community introduced a new category system, covering all textile items. The MFA products have been divided into 114 categories. These categories fall in five groups, according to their sensitivity in the Community market. Group I includes the eight most sensitive categories covering cotton yarns and fabrics, fabrics of discontinuous synthetic fibres, knitted shirts, T-shirts etc., jerseys and pullovers etc., trousers, knitted blouses and men's woven shirts.

83. The agreements concluded by the EEC are comprehensive in nature, and all 114 categories are subject to their provisions. (The agreement with Egypt covers only cotton textiles and cotton textile products.) The number of categories under restraint, however, varies from agreement to agreement. A consultation procedure is included in each agreement for those categories not under restraint. If imports of a category not under restraint, exceed a given percentage of the preceding year's total EEC imports then the Community may request consultations, followed by a report to the exporting country setting out the circumstances justifying such a request, with a view to reaching agreement on an appropriate restraint level. This request may also be made only for one or more regions of the Community. In the absence of agreement, the Community has the right to introduce a quantitative limit at an annual level not lower than that reached by imports of the category concerned and referred to in the request for consultations. The restraint level if mutually agreed, or if introduced by the Community may in no case be lower than the 1976 level of imports from the exporting partner concerned.

84. Five agreements, i.e. with Bangladesh, Guatemala, Haiti, Indonesia, and Uruguay were concluded as consultation agreements, where no items had been put under restraint. The agreement with Uruguay has been amended three times whereby limits have been agreed upon with respect to imports of wool tops into the United Kingdom and Italy with effect from 1 January 1979, and of woven wool fabrics into Benelux and the United Kingdom with effect from 1 January 1980. Flexibility provisions were also agreed upon with respect to these products.

84A Under the terms of the consultation procedures of the agreement with Indonesia, the EEC provisionally introduced limits on imports of trousers, blouses and woven shirts into the United Kingdom applying to the year 1980, with effect from 16 July 1980.

85. In the agreement with Argentina restraint on exports of cotton yarn was agreed. In two subsequent amendments restraints were agreed with respect to wool cloth into the United Kingdom. The agreement with Brazil covers twelve categories of products including cotton yarn and fabrics, shirts, trousers, underwear, nightwear, bedlinen and table linen. Amendments to this agreement concern restraints on combed and carded wool into EEC, woven fabrics of man-made fibres and blouses into the United Kingdom, and dresses into Benelux. The agreement with Colombia covers cotton yarn, and fabrics of cotton and of discontinuous synthetic fibres. The agreement with Egypt on trade in cotton textiles has restraints on cotton fabrics.

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1 The original agreement and amendments were transmitted to the Textiles Committee under Articles 7 and 8.
86. The agreement with Hong Kong has restraints with respect to all categories falling in Group I, as well as thirty-three other categories of products including towelling, bed and table linen, stockings, underwear, coats and overcoats, suits, jackets, nightwear, anoraks, trousers, track suits, workwear, babies' garments, gloves, yarn of discontinuous synthetic fibres and handkerchiefs. Amendments to the agreement concern exports of knitted undergarments, outer garments and woven pile fabrics to EEC, woven swimsuit to Benelux and sails to France.

87. Thirty-two categories are under restraint in the Community's agreement with Hungary. These include the Group I categories (excluding cotton yarn), stockings, underwear, coats and overcoats, suits and jackets, underwear and nightwear, bed and table linen, towelling, workwear, track suits, mattresses, tents and other camping goods. The agreement has been amended to include restraints on imports of dresses into Benelux and of raincoats into the United Kingdom.

88. The categories in Group I (except fabrics of discontinuous synthetic fibres, trousers and jerseys and pullovers), and nine other categories including towelling, stockings, underwear, overcoats, dresses and skirts, women's woven suits, handkerchiefs, bed linen and table linen have been put under restraint in the agreement with India. The agreement has been amended to include restraints on exports of jackets and blazers into France, Italy and the United Kingdom; exports of trousers into Benelux and the United Kingdom; of jackets and blazers and anoraks into Benelux; and of babies' undergarments into Italy. The amendment also contains a list of agreed Indian traditional items not subject to restraint.

89. The agreement with Korea has restraints on the Group I categories, gloves, stockings, coats and overcoats, suits, jackets and blazers, underwear and nightwear, anoraks, skirts, knitted trousers, handkerchiefs, yarns and fabrics of synthetic fibres, wool and fine hair fabrics, track suits, tents and nets. The agreement has been amended with respect to exports of dresses into Benelux and Denmark and of bed linen into the United Kingdom.

90. Twenty-two categories have been put under restraint in the agreement with Macao. These include shirts, jerseys and pullovers, trousers, blouses, dresses and skirts, underwear, overcoats, suits and jackets, nightwear, anoraks, handkerchiefs, bed and table linen. The agreement has been amended with respect to imports of knitted gloves into France and the United Kingdom, of brassières into Benelux and France; and of women's suits into France.

91. The agreement with Malaysia contains restraints with respect to fabrics of cotton and of discontinuous synthetic fibres, shirts, jerseys and pullovers, etc., trousers, blouses, handkerchiefs, yarns of discontinuous synthetic fibres and nightwear. Furthermore, exports of gloves into France, and of dresses and pyjamas into Benelux have also been brought under restraint. Cotton yarns and fabrics are under restraint in EEC's agreement with Mexico.
Sensitive categories in Group I (except woven fabrics of discontinuous synthetic fibres and trousers), towelling and pyjamas are subject to restraint in the agreement with Pakistan. In addition quotas on exports of dresses and gloves into France, and babies' woven garments and gloves into the United Kingdom have been agreed upon by the two parties. The agreement with Peru contains restraints on cotton yarns and fabrics and jerseys, pullovers etc.

92. The agreement with the Philippines contains eight categories under restraint, including shirts and blouses, jerseys and pullovers etc., gloves, overcoats, dresses, brassières and nightwear. Subsequent amendments to the agreement have introduced restraints on trousers, shirts and parkas. Furthermore, exports of babies' garments into Ireland and the United Kingdom, of slips and briefs into Benelux, and woven jackets and blazers into the United Kingdom have also been put under restraint.

93. Twenty-seven categories including fabrics of cotton, pile and synthetic fibres, shirts, jerseys and pullovers etc., towelling, stockings, coats and overcoats, underwear and nightwear, dresses, track-suits, bedlinen, curtain fabrics, mattresses and yarn of discontinuous regenerated fibres are under restraint in the agreement with Poland. In addition quotas have been agreed to on exports of men's and boys' woven overcoats, suits, jackets and blazers, dresses, babies' outerwear, fabrics of continuous and discontinuous regenerated fibres, yarns of continuous synthetic fibres, synthetic fibres carded or combed, knotted carpets and other coated fabrics. The agreement was amended to introduce regional quotas on several categories: petticoats and slips, men's and boys' woven undergarments, pyjamas, track-suits and tents into Benelux; women's woven suits, parkas and anoraks into Italy. The amendment also revised quotas for knotted carpets to enable free entry of certified handmade carpets.

94. The sensitive categories in Group I (except cotton yarn), overcoats, anoraks, woven and knitted skirts, women's woven suits, nightwear, men's underwear and yarns of discontinuous synthetic fibres, are subject to restraint in the agreement with Singapore. In addition quotas have been fixed with respect to exports of knitted trousers to the United Kingdom and of dresses to France.

95. The agreement with Sri Lanka covers shirts, jerseys and pullovers, trousers and blouses. These fall in five categories in Group I. The agreement with Thailand covers the categories in Group I (except cotton yarn), gloves and yarns of discontinuous synthetic fibres. It also includes an agreed list of traditional handicrafts textile products not subject to quantitative limits. Under subsequent amendments to the agreement, quotas were agreed on exports of parkas and anoraks to Denmark and the United Kingdom;
dresses to Denmark, the Benelux and Italy; skirts to Denmark and woven fabrics of regenerated textile fibres to Italy. Exports of all categories in Group I, towelling, stockings, overcoats, woven suits, underwear, nightwear, tracksuits, yarns of wool and fine hair, cotton yarn for retail sale and knitted or crocheted fabrics are subject to quantitative limits in the agreement with Yugoslavia.

Handloom and hand made textile products

96. Having due regard to the provisions of Article 12:3 of the Arrangement, the EEC has entered into agreed certification arrangements with some of its trading partners concerning exports of handloom fabrics, hand-made products of such fabrics or traditional handicraft textile products. The relevant arrangement in each case forms an integral part of the agreement concerned.

Finland

97. Finland notified a two-year agreement with Hong Kong beginning 1 August 1978, which succeeded two agreements, one under Article 3 and the other under Article 4. The agreement had restraints on briefs, drawers, undershorts etc., shirts and blouses. It also included an export authorization system with respect to several clothing items. A new bilateral agreement between the two parties has been concluded for the period 1 August 1980 to 31 July 1982. Product coverage remains the same as in the previous agreement, except blouses, which has been added to the list of items covered by the export authorization system.

98. A new four-year agreement with India beginning 1 January 1978, concerns exports of woven blouses, woven shirts and bedding.

99. Finland has notified a new bilateral agreement with Korea for the period 1 May 1980 through 31 December 1982. The agreement replaces previous restrictions based on a licensing agreement concluded in the context of Korea's accession to GATT. The agreement covers stockings, socks etc., outergarments, knitted or crocheted, men's and boys' ulsters etc., and jackets of cotton and man-made fibres; women's dresses and blouses and men's and boys' shirts of cotton and man-made fibres. The agreement includes consultation provisions with respect to several items listed in an annex.

100. A new agreement was concluded with Macao\(^1\) to replace a previous agreement under Article 3:4, which had terminated on 31 July 1978. The new agreement covers the period 1 August 1978 through 31 December 1981. The agreement's product coverage of briefs, drawers, panties etc., and men's and boys' shirts of cotton and man-made fibres has been extended by an amendment to include women's and girls' blouses of cotton and man-made fibres. A new agreement with Malaysia with respect to exports of men's and boys' shirts of cotton and man-made fibres was concluded for the period 1 March 1979 to 31 December 1981.

\(^1\)This agreement was transmitted under Articles 7 and 8 as Macao had not signed the Protocol of Extension at the time of notifications.
An agreement with Singapore for the period 1 June 1978 to 31 December 1981 was concluded with respect to trade in briefs, drawers, panties etc. Finland also notified a new agreement with Thailand for a three-year period beginning 1 January 1979. Export restraints were fixed with respect to men's and boys' shirts of cotton and man-made fibres and brassières. Jumpers, sweaters, pullovers etc., are subject to an agreed system of export authorization.

Sweden

101. Since 1978 the agreements concluded by Sweden have been based on a division of all clothing and made-up items falling within CCCN, chapters 60-62, into several groups, (in general fourteen groups). However, the coverage of each group and/or the combination of these groups has varied from one agreement to another.

102. Two agreements with Hong Kong were concluded for the periods 1 January 1978 to 31 March 1979 and 1 April 1979 to 31 March 1981. The first agreement had restraints on fourteen groups of products including stockings, shirts, night-garments, underwear, knitted sweaters, pullovers etc., overcoats, trousers, jeans etc., costumes, dresses and skirts, blouses, bedlinen, towels, shorts, swimwear and tracksuits. In addition several items not under restraint were placed under an agreed export authorization system. The second agreement includes all groups under restraint in the first agreement, as well as corsets, brassières, protective and work clothing as products under restraint. Certain products not subject to specific group limits, but covered by the export authorization system are subject to an aggregate limit.

103. An agreement with India for the period 1 March 1978 to 28 February 1979, had specific restraints on shirts, knitted underwear, costumes, dresses and skirts, blouses, and bedlinen. An overall quota was fixed with regard to other clothing items, travelling rugs and towels. A new agreement with India for the period 1 July 1979 to 31 December 1980, has specific restraints on all groups under specific restraint in the previous agreement as well as on knitted sweaters, pullovers etc., curtains and table linen. It also has an overall limit for other products under a similar limit in the previous agreement.

104. Two agreements were concluded with Korea for the periods 1 March 1978 to 28 February 1979, and 1 March 1979 to 28 February 1981. Fifteen groups of products including stockings, shirts, nightwear, knitted underwear, knitted sweaters, pullovers etc., overcoats and jackets, suits, lounge coats and blazers, trousers, costumes, dresses and skirts, blouses, bedlinen, towels, yarns, of man-made fibres, handkerchiefs, shawls and scarfs, were under specific group restraints under the first agreement. It also contained an overall restraint on other clothing items and on travelling rugs and blankets. The second agreement has specific restraints on the same groups of products as the first agreement except for yarns of man-made fibres, handkerchiefs, shawls and scarfs. An overall limit similar to that in the first agreement regarding other items is included.
105. Sweden notified two agreements\(^1\) concluded with Macao for the periods 1 January 1978 to 31 December 1978 and 1 January 1979 to 31 December 1980 respectively. Product coverage in both agreements with respect to specific limits has been the same and have applied to stockings, shirts, night garments, knitted underwear, knitted sweaters, pullovers, etc., overcoats and jackets, trousers, costumes, dresses and skirts, blouses and swimwear. An overall limit with respect to other clothing items, travelling rugs and bedlinen applied in the first agreement. In the second agreement the overall limit includes sails, and all items under such limit in the first agreement.

106. Sweden concluded an eighteen month agreement with Malaysia\(^2\) beginning 1 January 1978 having specific restraints on blouses, shirts, knitted underwear, trousers and bedlinen. It also included an overall limit on other clothing items, travelling rugs and towels.

107. Two agreements with Pakistan were concluded for the periods 1 March 1978 to 28 February 1979, and 1 March 1979 to 29 February 1980. Specific group limits in both agreements applied to knitted underwear, knitted sweaters, pullovers etc., blouses, bedlinen and towels. Both agreements also included overall limits with respect to other clothing items and travelling rugs and blankets.

108. An agreement with the Philippines was concluded for the period 1 August 1978 to 31 October 1979. Specific group limits applied with respect to stockings, shirts, knitted underwear, knitted sweaters, pullers etc., overcoats and jackets, trousers and blouses. An overall limit applied for other clothing items, travelling rugs and blankets, bedlinen and towels. A new agreement with the Philippines has been concluded for the period 1 November 1979 to 31 October 1980. Specific group limits apply to the same items in the previous agreement as well as to swimwear. The agreement also has an overall limit on other clothing items, travelling rugs and blankets, bedlinen, towels, curtains and other furnishing articles.

109. An agreement with Singapore for the period 1 March 1978 to 30 November 1979 replaced a previous agreement due to expire on 28 February 1979. Specific group limits applied with respect to stockings, shirts, knitted underwear, knitted sweaters and pullers, overcoats, jackets and trousers, costumes dresses and skirts and blouses. An overall limit was fixed with respect to other clothing items, travelling rugs and blankets, bedlinen and towels.

110. An agreement with Sri Lanka for the period 1 August 1978 to 31 July 1979 had specific group limits with respect to three groups, including shirts, trousers and blouses. The agreement included an overall

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\(^1\)The first agreement was notified under Articles 7 and 8 as Macao had not signed the Protocol of Extension at the time of its notification.

\(^2\)This agreement had been transmitted under Articles 7 and 8, since Malaysia had not signed the Protocol of Extension at the time of notification.
liait with respect to other clothing items, travelling rugs and blankets, bedlinen and towels. A new agreement with Sri Lanka for a one-year period ending 31 July 1980 had the same pattern of restraint limits as in the previous agreement.

111. An agreement with Thailand was concluded for the periods 1 December 1977 to 30 June 1979 and 15 January 1978 to 30 June 1979. Specific group limits were fixed for shirts, knitted sweaters and pullovers, overcoats and jackets, trousers, costumes, dresses and skirts, blouses and towels, while an overall limit applied to other clothing items, travelling rugs and blankets, and bedlinen.

112. Sweden concluded a bilateral agreement with Yugoslavia for a one-year period beginning 1 January 1979. Specific group limits applied to stockings, shirts, knitted sweaters and pullovers, overcoats and jackets, suits, lounge coats and blazers, trousers, costumes, dresses and skirts, blouses, knitted tracksuits and bedlinen. Other clothing items, travelling rugs and blankets, and towels had an overall limit. In a new agreement with Yugoslavia, specific group limits apply to items in the previous agreement (except blouses and tracksuits), as well as to towels. The agreement also has an overall limit on other clothing items and on travelling rugs and blankets. This agreement is valid for the period 1 January 1980 to 31 December 1980.

United States

113. On 1 January 1978 the United States introduced a new classification system concerning textile and clothing products. This system has 104 categories classified according to fibre content. An extract from a study by the United States Trade Commission giving the new textile category system and its correlation with the old category numbers was circulated for the information of participating countries. In cases where previously existing agreements extended through 1978, modifications were made to adapt them to the new category system.

114. The agreements concluded by the United States have generally included all 104 categories, classified under several groups. The composition of these groups vary from agreement to agreement. In a large number of cases the agreements have aggregate and group limits as well as categories under specific limit. In some cases agreements have only group and specific limits. Four agreements have only specific limits, two of which are selective in nature, with only four categories under restraint in one and two categories under restraint in the other.
115. A consultation mechanism is provided for in the agreements concerning categories not under specific limit. In most cases such categories are under "minimum" consultation levels. These are fixed in the agreement. Some categories not under specific limits have negotiated consultation levels, called "designated" consultation levels. These negotiated levels are higher than the "minimum" consultation levels. As regards categories having consultation levels (minimum or designated), exporting countries may, on request, and with the agreement of the United States, export more than such levels for a given agreement year. Furthermore, it is possible for such levels to be converted into specific limits. A large number of modifications to agreements notified to the TSB have related to changes in consultation levels.

116. Existing agreements with Brazil covering cotton products and man-made fibre products were amended in order to adapt them to the new category system, and then extended for a three-year period ending 31 March 1982. Within the aggregate and group limit the cotton products under restraint include yarn and fabrics, play suits, shirts, sweaters, trousers, dressing gowns, underwear, terry towels and other cotton manufactures. No man-made fibre products are under restraint.

117. The existing agreement with Colombia ending 30 June 1978 was amended to allow an increased consultation level with respect to one category for the last agreement year. A new agreement with Colombia was concluded for the period 1 July 1978 to 30 June 1982. Within the apparel group limit, specific limits concerned cotton sheeting, wool and man-made fibre suits and man-made fibre blouses. Twenty-two categories have been given annual designated consultation levels. Two subsequent amendments concerned increases in consultation levels.

118. A new selective agreement was concluded with the Dominican Republic for the period 1 June 1979 through 31 May 1983. This agreement superseded a unilateral measure taken by the United States. The agreement has specific limits on cotton shirts, cotton nightwear, women's and girls' shirts and blouses of man-made fibre and man-made brassières.

119. A consultation agreement with Egypt was concluded for a two-year period beginning 1 January 1978, relating to trade in cotton textiles and textile products. This agreement superseded a previous restraint agreement and is extended automatically each year. No restraints have been introduced under the terms of the agreement.

120. Three amendments to an existing agreement ending 31 December 1978 with Haiti, concerned the adaptation of the agreement to the new category system. Indicative quantity limits and designated consultation levels were agreed.

\footnote{COM.TEX/SB/431 (see paragraphs 65-68 above).}
This agreement was extended until 31 March 1979. A new three-year agreement was concluded beginning 1 May 1979. One cotton category (playsuits etc.) and four man-made fibre categories (covering hosiery, coats, women, girls and infants, playsuits, etc., and brassières) are under specific limits. Fourteen categories on merged categories have designated consultation levels. No minimum consultation level applies in this agreement. The United States may however request consultations with respect to those categories not under specific limits or designated consultation levels. By an amendment to this agreement, the category covering brassières of man-made fibres was merged to the category covering cotton brassières and a new specific limit was fixed for this merged category.

121. In a five-year agreement with Hong Kong beginning 1 January 1978, textile products have been divided into four groups: yarn and fabric of cotton and man-made fibre, apparel of cotton and man-made fibre, other made-up goods of cotton and man-made fibre, and wool textiles and products. Within the aggregate and group limits, specific limits were agreed for cotton sheeting, twills and duck; cotton apparel including gloves, coats, dresses, playsuits, shirts, blouses, skirts, sweaters, trousers, dressing gowns and nightwear; apparel of man-made fibre including coats, knit shirts, blouses, suits, sweaters, trousers, brassières, and woollen sweaters. Categories not under specific limits are subject to consultation in accordance with a procedure utilizing Hong Kong's export authorization system. The agreement has been amended five times, whereby, inter alia, specific limits on certain categories were removed and in some cases re-introduced. Specific limits have also been agreed with respect to woollen suits and shirts. Flexibility provisions for the year 1980 have been revised downwards. Procedures for consultation based on Hong Kong's export authorization system have also been modified.

122. The agreement with India was concluded for a five-year period beginning 1 January 1978. The agreement has all categories divided into two groups: yarns and fabrics; and apparel, made-up goods and miscellaneous textile products. The agreement has aggregate and group limits. Though no category was under specific limit in the original agreement, it has been amended to introduce specific limits on certain cotton items, including dresses, shirts and blouses, and trousers. The agreement has several items under designated consultation levels. It also includes a list of Indian items which are not subject to the agreement.

123. A consultation agreement covering all textile categories was concluded with Jamaica in 1978. No specific limits have been introduced under the terms of the agreement.

124. An existing consultation agreement with Japan was extended for twelve months ending 31 December 1978. This was superseded by a new consultation agreement, for a three-year period beginning 1 January 1979. Under the provisions of this agreement limits have been introduced with respect to cotton trousers, gloves, shirts and coats for women, girls and infants; worsted woollens, and trousers, skirts and coats of wool; spun non-cellulosic fibre, continuous non-cellulosic fibre fabrics and other man-made fibre fabrics.
125. The agreement with Korea for the five-year period 1 January 1978 through 31 December 1982, has the textile categories classified into three groups: yarns, fabrics, made-up and miscellaneous products of cotton and man-made fibres; apparel of cotton and man-made fibre; and wool products. Within the aggregate and group limits, categories under specific limits cover duck, cotton coats, shirts and trousers; coats, knit tops, shirts, blouses, suits, sweaters and trousers of man-made fibre; and coats, suits, shirts, blouses, sweaters and trousers of wool. The agreement was amended four times. By one of these, knit tops and blouses, previously under designated consultation levels, were brought under specific limits. Over forty categories are under designated consultation levels.

126. An existing agreement with Macao was extended to 31 December 1979, and was adapted to the new category system. Under these amendments, the categories under specific limits included cotton coats, knit tops, shirts, skirts and trousers; coats, knit tops, woven shirts, and blouses, sweaters and trousers of man-made fibre; and woollen sweaters. A new agreement was concluded for the period 1 January 1980 through 31 December 1983. All categories have been classified into two groups: textile and textile products of cotton and man-made fibre, and wool textile and textile products. Within the aggregate and group limits, specific limits apply to coats, shirts, blouses, trousers and sweaters. Two categories were subject to designated consultation level.

127. The agreement with Malaysia covers the period 1 January 1978 through 31 December 1980. All categories have been classified into three groups: all non-apparel products of cotton and man-made fibre, apparel of cotton and man-made fibre, and wool products. The agreement has group limits with regard to the second and third groups. Within these limits specific limits apply to cotton gloves, coats, woven shirts and trousers, and to knit shirts of man-made fibre. Several items have consultation levels designated annually. Amendments to this agreement have been concerned with consultation levels, though one dealt with changes in specific limits for two categories.

128. An existing agreement with Mexico was modified for the last agreement year ending 30 April 1978. A new agreement was concluded for the period 1 May 1978 through 31 December 1981. Although all categories have been put in three groups, the agreement does not have any aggregate or group limits. Cotton products under specific limits include women's, girls' and infants' coats, knit shirts and blouses, and trousers. Specific limits for man-made fibre categories include coats, shirts, blouses, trousers and brassières. Eighteen categories are under designated consultation levels.

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1This agreement was transmitted under Articles 7 and 8 as Malaysia had not signed the Protocol of Extension at the time of notification.
A new agreement on cotton textiles with Pakistan was concluded for the period 1 January 1978 through 30 June 1982. The agreement and subsequent amendments contain two groups: non-apparel products and apparel products. Within the aggregate and group limits, specific limits apply to sheeting, print cloth, duck, terry towels, shirts and blouses. Thirteen categories are under designated consultation levels.

A previous agreement with the Philippines was modified for its last agreement year ending 30 September 1978, in order to adapt it to the new category system. It was however replaced by a new agreement covering the period 1 January 1978 to 31 December 1982. The agreement which has an aggregate limit and a group limit with respect to yarn and fabric of cotton and man-made fibre, has all 104 categories under specific limits.

The agreement with Poland for the period 1 January 1978 through 31 December 1980 has all textile products classified in four groups: non-apparel products of cotton, wool and man-made fibre; cotton and man-made fibre apparel, other than suits; wool apparel other than suits; and men's and boys' suits of wool and man-made fibre. Within the aggregate and group limits categories under specific limit include wool and worsted fabric, coats and shirts of cotton; coats, shirts, sweaters and trousers of man-made fibre; coats, shirts and blouses, suits for women, girls and infants, sweaters and trousers of wool. Several categories are under designated consultation levels.

The United States concluded two agreements with Romania. One agreement concluded for the period 1 January 1977 to 31 December 1980 replaced an interim agreement. It concerns trade in wool and man-made fibre products, and has suits of wool and man-made fibre, and man-made fibre knitted sweaters under restraint. Several categories are under consultation level. The agreement has been amended in order to adapt it to the new category system.

The second agreement on cotton textiles and textile products has been concluded for the period 1 January 1978 through 31 December 1982. It has a group limit on all apparel items, but no specific limit. Several apparel and non-apparel categories have designated consultation levels.

A new agreement with Singapore covers the period 1 January 1978 through 31 December 1981. The textile categories have been classified in three groups: non-apparel products of cotton and man-made fibres; apparel of cotton and man-made fibres; and wool products. Within the aggregate and group limits, specific limits apply to coats, shirts, blouses, and trousers of cotton; wool coats; and coats, shirts, blouses, suits and trousers of man-made fibre. Several categories are under designated consultation levels.

The United States has concluded a new bilateral agreement with Sri Lanka for the period 1 May 1980 through 30 April 1983. The agreement has no aggregate or group limits; it has specific limits with respect to cotton and man-made fibre shirts and blouses, cotton gloves, women's, girls' and infants' cotton coats and cotton trousers. Other cotton, wool and man-made fibre textile and clothing products are subject to consultation. The agreement has been recently received, and not yet reviewed by the TSB.
Notifications Received and/or Reviewed under Article k
Since 1 January 1976 until 20 September 1980

H: Iïcv agreement  E: Extension  M: Modification  T: Termination  C: Consultation agreement

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1/At time of notification this country had not signed the Protocol extending the Arrangement.
2/May be extended by one year.
3/Notification recently received, and not as yet transmitted to the Textiles Committee, pending review by the TSB.
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1°At time of notification, the exporting country had not signed the Protocol extending the Arrangement.

2°Notification recently received, and not as yet transmitted to the Textiles Committee pending review by the TSB.

3°Duration of original agreement: 1.4.76-31.3.79 (COM.TEX/SB/178).

4°For original agreement see COM.TEX/SB/127.

5°The agreement superseded an Article 3:5 action.

6°Duration of original agreement: 1.1.76-31.12.78 (COM.TEX/SB/179).

7°Consultation agreement: exchange of letters November-December 1977; renewal annually.
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\(^1\) Duration of original agreement: 1.10.74-31.12.77 (COM.TEX/SB/47).

\(^2\) For original agreement, see COM.TEX/SB/92.

\(^3\) At time of notification, Malaysia had not signed the Protocol extending the Arrangement.

\(^4\) Notification recently received, and not as yet transmitted to the Textiles Committee, pending review by the TSB.

\(^5\) For original agreement and previous amendments, see COM.TEX/SB/90, 175 and 265.

\(^6\) Agreement covering wool and man-made fibres.

\(^7\) For original agreement, see COM.TEX/SB/153.
136. The agreement with Thailand for a five-year period beginning 1 January 1978 has a group limit for apparel products. Within this limit specific limits apply to gloves, shirts, coats, blouses and trousers of cotton, woollen sweaters, and coats, shirts, blouses and trousers of man-made fibre. (During the period under review the TSB had also received notifications relating to amendments of a previous agreement which had expired in December 1977.)

137. An agreement with Yugoslavia was concluded with respect to imports of men's and boys' wool and man-made fibre suits.

C. Notifications under Articles 7 and 8

138. In accordance with the request made by the Textiles Committee that agreements concluded with, or actions taken against non-participants should be notified, the TSB received twenty-eight notifications from participating countries. Of these, nine notifications concerned participating countries which at the time of notification had not signed the Protocol extending the Arrangement. These have been included in section B above.

139. The TSB transmitted these notifications to participating countries for information under Articles 7 and/or 8.

140. Canada notified two bilateral agreements concluded with Bulgaria and the People's Republic of China.

141. The EEC notified its bilateral agreements with Bulgaria and with the People's Republic of China. It also notified safeguard measures taken with respect to imports of textile items from Greece and Malta. The TSB received two communications from the EEC concerning safeguard measures taken with respect to certain imports from Turkey. Since these measures were of temporary duration, and had lapsed at the time of notification the TSB agreed to circulate these communications under Article 7, although Turkey is a participating country.

142. Malaysia, Sri Lanka and Singapore notified the bilateral agreements each had concluded with Norway.

143. Sweden notified two agreements with Malta and two agreements with Mauritius.

144. The United States notified two unilateral measures taken with respect to imports of certain textile items from the People's Republic of China, and one measure restricting imports of one textile item from the Republic of South Africa. The latter measure has been terminated.

145. The United States notified its agreements relating to the establishment of export visa systems with each of Indonesia and Sri Lanka. Since the agreements do not contain any restraints, nor consultation procedures for the introduction of restraints, they have been circulated to participating countries under paragraph 4 of Article 8, for information.
## Notifications under Articles 7 and/or 8 since 1 January 1978 until 20 September 1980

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<td>Sri Lanka²/</td>
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<td>499</td>
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¹/ Although Turkey is a participating country the notifications were transmitted under Article 7. See paragraph 94 above.

²/ Although the exporting country is a participant in the MFA, the notification has been transmitted under Article 8:4. See paragraph 98 above.
Chapter 5: Observations by the TSB

Introduction

146. In the course of its reviews, the TSB may make such observations or recommendations as it deems to be desirable for the good operation of the Arrangement. These comments may either be general, or they may relate to particular aspects of individual agreements or actions. In general, if measures taken, or an agreement or amendment under an article of the MFA, are in conformity with, or more liberal than, the provisions of the Arrangement, the TSB transmits the notification to the Textiles Committee without comment. The TSB makes specific comments only in cases where some aspect of an agreement, measure or amendment differs from the provisions of the MFA, where measures taken or agreed to are specifically noted as being concluded according to a special provision of the MFA, or where some general comment is thought necessary concerning conformity with the MFA in the future.

147. The TSB can also make recommendations as to action which may be taken by parties which are in dispute or whose agreements under the MFA do not conform to particular provisions of the Arrangement. In specific cases, the TSB has recommended that if agreements were to be modified, extended or renewed, participants should improve particular provisions of their agreements in order to bring them more closely into conformity with the provisions of the MFA. In the period under review it has also commented on the existence of departures from the provisions of the MFA as foreseen in paragraph 5 of the Textiles Committee's conclusions of 1977.

148. This chapter gives an overall picture of the questions addressed by the TSB in the course of its review of agreements and measures notified to it under the relevant articles of the Arrangement. Included in this chapter are:

A - Observations relating to notifications from particular participants and comments arising from specific aspects of particular agreements;

B - Observations of general application;

C - Observations relating to market disruption and the risk of market disruption; and

D - Observations relating to the implementation of the provisions of Article 6, paragraphs 1, 2 and 3.
A. Observations relating to notifications from particular participants:

I. General observations

United States: growth rates on wool categories

149. In reviewing a number of Article 4 agreements notified by the United States, the TSB noted that the United States had continued to provide a rate of growth of 1 per cent with respect to textile and apparel categories of wool. In this respect, the TSB took note of the statement by the United States' authorities reiterating their earlier declaration that this lower growth reflected the continuing chronic state of disruption of the United States wool textiles and apparel market.

EEC: Consultation provisions: basket exits

150. In reviewing the consultation provisions for establishing quantitative limits on basket categories in the EEC bilateral agreements, the TSB noted that, where operation of the provisions resulted in the establishment of a quantitative limit, or limits, the relevant agreement would have been modified in the sense of paragraph 4 of Article 4, and would thus be subject to the notification and review requirements of that Article. The TSB recommended that these provisions should be applied sparingly, with moderation, as well as in a reasonable manner.

151. In considering further the consultation provisions for establishing quantitative limits on basket categories, the TSB noted that a real risk of market disruption, as referred to in Article 4 of the Arrangement, must be deemed by the Community to exist, before such consultations are initiated. In this connexion, such amendments to EEC bilateral agreements, have involved the establishment of new restraint levels either for the EEC as a whole, or for particular regions (member States) of the Community, in which such a "real risk" was deemed to exist.

152. In considering the information necessary for the application of the "basket exit" procedure, the TSB observed that the timely provision of import statistics was an important element in the application of this procedure and recommended that, in future, the Community provide such statistics by the date specified in the bilateral agreement.

1COM.TEX/SB/559.
2COM.TEX/SB/380.
3COM.TEX/SB/388.
4COM.TEX/SB/562.
EEC: Regional breakdown

153. The TSB noted that restraint levels in the Community's agreements were generally expressed as Community limits. The TSB considered that the regional breakdown of these restraint levels was, in terms of paragraph 3 of Article 4, of legitimate interest to participating countries and noted the Community's intention to communicate to the TSB the AnMW.1 breakdown of the Community's quotas at the regional level, as it becomes definitive.¹

EEC: Status of bilateral agreements when transmitted to the Textiles Committee

154. In circulating the texts of a number of EEC agreements to the Textiles Committee for information, the TSB noted that the said agreements had, at the stage of their notification to the Body, been initialled and were in de facto application, but had not yet been formally concluded.² The TSB confirmed the right of the parties to modify the agreements by mutual consent. In that event, the modifications would, in turn, be notifiable under Article 4, paragraph 4.

Sweden: Minimum viable production

155. In the course of its examination of several Swedish agreements during which it had had full regard to the concept of minimum viable production, as set out in Article 1:2 of the Arrangement, the TSB nevertheless found occasion to make an observation of general application in this respect. The TSB held that while fully recognizing Sweden's right to protect its minimum viable production, paragraph 6 of the Understanding reached by the Textiles Committee on 14 December 1977, could not be invoked as a general waiver of particular obligations under the Arrangement. It further recommended that, if the agreements to which this comment was attached were to be extended, modified or renewed, then both parties thereto should adhere to this principle. This observation was made in the context of the TSB's review of Swedish agreements with Hong Kong, India, Korea, Singapore, Sri Lanka and Thailand.³ (See also paragraph 190 below.)

Sweden: Restraint levels set in value terms

156. The TSB noted that part of the quotas agreed upon in certain Swedish agreements had been fixed in terms of value rather than quantity. The TSB was of the view that participating countries should always 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

¹COM.TEX/SB/380 and 429.
²COM.TEX/SB/380.
³COM.TEX/SB/380, 460 and 480. For comments by the TSB on new agreements by Sweden with India, Philippines, Sri Lanka and Yugoslavia, see paragraphs 172, 186 and 194.
might arise from variations in exchange rates. This observation had been noted in the TSB's previous major review of the Arrangement in 1976 and in the TSB's annual reports to the Textiles Committee in 1978 and 1979. A specific comment on the denomination of quotas also appeared in the TSB's observations on the Sweden/Pakistan agreement.

II. Comments arising from specific aspects of particular agreements

(a) Comments relating to departures from MFA provisions

(i) EEC agreements: base levels

157. In 1979 the TSB discussed the fact that the Community had negotiated most 1978 restraint levels on the basis of 1976 trade figures, rather than on imports during the roll-back period or on the basis of the restraint levels in effect in the selective agreements which were in force in 1977. The TSB was informed that the Community's new categorization system was based on revised product descriptions and that, in most cases, no correlation was possible between the categories in the new system and those subject to restraints under previous agreements. The TSB was, therefore, unable to determine in particular cases how new restraint levels compared with previous restraint levels, or with trade in the proper reference period, but concluded that, to the extent that those provisions of Annex B relating to the extended restraint levels in Article 4 agreements had not been followed, departures were involved.3

(ii) EEC/Hong Kong and EEC/Korea: reductions in base levels

158. In reviewing bilateral agreements concluded by the EEC with Korea and Hong Kong respectively4, the TSB noted that certain restraint levels in the bilateral agreements involved reductions not only on 1977 quota levels, but also on 1976 trade levels. The TSB found, on all the available evidence, that in negotiating these reductions the parties had departed from paragraph 3 of Annex B of the Arrangement. The TSB noted that such a departure had been presented by the notifying party as being within the purview of paragraph 5.3 of the Protocol extending the Arrangement.

(iii) Finland/Hong Kong: reduction in access

159. In its review of a Finland/Hong Kong agreement notified in 1979, the TSB noted that certain restraint levels in the new agreement involving reductions on the levels set out in previous agreements, had resulted in a reduction in access and, therefore, constituted a departure. The TSB further

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1 COM.TEX/SB/196, 365, 380 and 442.
2 COM.TEX/SB/576.
3 COM.TEX/SB/388.
4 COM.TEX/SB/390 and 562.
5 COM.TEX/SB/403.
noted that the reduction in access, as well as other elements in the agreement, were agreed to by the parties pursuant to the relevant provisions of the Protocol, in particular paragraph 6 thereof, and certain other considerations. In a subsequent agreement between Finland and Hong Kong notified in 1980, the TSB noted that the cutbacks made in the previous agreement had been restored.

(iv) Sweden/Hong Kong: reduction in access

160. In its review of the Sweden/Hong Kong agreement\(^2\) (1978-1979), the TSB noted that most restraint levels in the new agreement involved reductions on the levels set out in the previous agreement, and that restraint levels established for new items were lower than those provided for in Annex B of the Arrangement, had the roll-back formula contained therein been applied. This had resulted in a reduction in access (i.e. negative growth) and, therefore, constituted a departure. The TSB further noted that the reduction in access, as well as other elements of this agreement, were agreed to by the two parties according to the relevant provisions of the Protocol, in particular paragraph 6 thereof.

(v) Sweden/Macao: reduction in access

161. In its review of the Sweden/Macao agreement\(^3\) the TSB noted that most restraint levels in the first period of the new agreement involved reductions on the levels set out in the previous agreement. This had resulted in a net reduction in access, which constitutes a departure from the provisions of the MFA.

162. In this context, the TSB was informed by the Swedish authorities that the reduction in access, as well as other elements of the agreement, were agreed to by the two parties in pursuance of the relevant provisions of the Arrangement, and the Protocol of Extension, in particular those in paragraph 6. The TSB concluded its examination of the agreement by recalling that all the provisions of the Arrangement, as extended by the Protocol, must be observed, and thus recommended that if the agreement were to be extended, modified or renewed, both parties thereto should also take fully into account the observations made about it by the TSB.

\(^1\)COM.TEX/SB/612.  
\(^2\)COM.TEX/SB/429.  
\(^3\)COM.TEX/SB/477.
(vi) Sweden/Korea: reduction in access

163. In its review in 1979 of a new two-year Article 4 agreement between Sweden and Korea\(^1\), in effect from 1 April 1979, the TSB had occasion to comment on aspects relating to two prior agreements. In the case of the immediately preceding agreement, which the TSB did not review because of its lack of conformity with the textile coverage required by the MFA\(^2\), the TSB had taken note of statements by the Swedish and Korean representatives that there were reductions in comparison with the agreement that preceded it. The TSB was subsequently informed that the previous all-fibre agreement had also contained a quota of 900 tons which had been established for a group of products for which the export performance of Korea to Sweden was very small.

164. For these reasons, the comparative exercise was only made between the levels in the latest agreement and the corresponding 1977 levels in the last but one agreement. Such a comparison showed that the overall aggregate limits in both the first and second years of the new agreement involved considerable reductions on the total of the 1977 restraint levels established in the first agreement, plus the roll-back levels with respect to the newly introduced items. The TSB also noted that the annual aggregate limits for the two agreement years were lower than the total of individual limits established in the new agreement, in other words, Korea would not be able to fulfil all of its agreed quotas.

165. During its review, the TSB was informed by the Swedish authorities that the reduction in access, as well as other elements of this agreement, were agreed to by the two parties pursuant to the relevant provisions of the Arrangement, and the Protocol of Extension, in particular paragraph 6 thereof. (In this context, the TSB made a comment on paragraph 6 of the Protocol, see general observations on Swedish notifications, paragraph 155 above.)

166. The TSB, in making the observations cited above, noted that Sweden had negotiated an agreement with yet another country (Korea) which represented a reduction in access for the exporting countries concerned (Hong Kong, Korea and Macao).

(b) Comments relating to base levels (other than departures)

167. In the case of a new Article 4 agreement between Canada and Singapore, reviewed in 1980, the TSB had noted that the base level for 1979 established for one category, acrylic yarn, was lower than the trade performance in 1978,
and that no swing was provided with respect to this category. However, there were considerable increases in the levels for all other categories, thus providing a significant increase in net access for exports from Singapore in 1979 compared with Canadian imports from Singapore in 1978. The TSB therefore concluded that in overall terms, the agreement was in conformity with the Arrangement.

168. In relation to a new Article 4 agreement between Finland and Korea, reviewed in 1980, the TSB noted that the specific base levels set out in Annex 1 to the agreement were considerably higher than restraints invoked under a previous import licensing system applied to Finland's imports of textile products from Korea. 2

169. In reviewing an Article 4 agreement between the EEC and Sri Lanka in which certain growth rates were lower than those set out in Annex B to the MFA, the TSB noted that the parties thereto had agreed to restraint levels (base levels) substantially higher than the levels of actual imports into the EEC from Sri Lanka during the reference period. 3 (See also paragraph 157.)

170. In reviewing the new and unique Article 4 agreement between the United States and the Philippines concluded in 1979, the TSB noted that it differed in concept from Article 4 agreements previously submitted in that all flexibility provisions were encompassed within the base limits of the agreement and that all textile categories were subject to specific limits. The TSB noted that aggregate, group and category base levels in this agreement involved significant increases over the limits set out in the previous one, and that the parties had mutually agreed that such increases incorporated the growth and flexibility provisions of the Arrangement. 4

(c) Comments relating to growth rates

171. In a number of cases during the life of the extended Arrangement, the TSB noted that growth rates for specific categories or for the aggregate products covered by agreements were less than the rate of not less than 6 per cent laid down in Annex B to the Arrangement, and took note of statements that these lower growth rates reflected either the existence of exceptional circumstances in the importing markets concerned, as set out in paragraph 2 of Annex B, or the parties' understanding that implementation of the not less than 6 per cent growth provisions could contribute to the then existing threat to certain recognized countries' minimum viable production (Finland and Sweden), as also foreseen in paragraph 2 of Annex B.

1 See COM.TEX/SB/537.
2 COM.TEX/SB/585.
3 COM.TEX/SB/380.
4 COM.TEX/SB/429. See also paragraphs 175 and 197.
172. Given the relevant wording of paragraph 2 of Annex B, the TSB noted positive growth of less than 6 per cent in the following agreements:

Finland with Hong Kong, India, Korea, Malaysia, Singapore, Thailand, and an amendment with Macao, and Sweden with Hong Kong, India, Korea, Macao, Singapore, Sri Lanka, and Thailand. With respect to the Swedish agreements with Hong Kong and Korea, the TSB noted the provision of nominal rates of growth in both agreements, and recommended that further growth be contained in any future agreements. In its review of the Sweden/Pakistan agreement, the TSB noted that, whereas the restraint levels established therein had remained unchanged from those applied in the previous agreement (all fibres), the present levels related to a lesser fibre coverage (MFA products only), and that this thus provided for built-in growth. The TSB's remarks on the base levels contained in the Finland/Korea agreement are noted in paragraph 168 above. The TSB noted in its review of new agreements between Sweden and India, the Philippines, Sri Lanka and Yugoslavia, some growth had been included in these agreements.

173. In the first year of the extended Arrangement, the TSB noted growth lower than 6 per cent in the case of three notifications by Austria. In reviewing the extension of Austria's agreement with India until 31 December 1981, the TSB noted that the annual growth rate of 3 per cent had been agreed upon for three categories due to the exceptional circumstances prevailing in the market for the products in question. Again, in reviewing the extension of Austria's Article agreement with

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1. COM.TEX/SB/403.
2. COM.TEX/SB/388.
3. COM.TEX/SB/585.
4. COM.TEX/SB/477.
5. COM.TEX/SB/388.
6. COM.TEX/SB/477.
7. COM.TEX/SB/615.
8. COM.TEX/SB/480.
9. COM.TEX/SB/380.
10. COM.TEX/SB/480.
11. COM.TEX/SB/477.
12. COM.TEX/SB/460.
13. COM.TEX/SB/380.
14. COM.TEX/SB/380.
15. COM.TEX/SB/422.
16. COM.TEX/SB/602, paragraph 7.
Korea for the twelve-month period beginning 1 August 1978, the TSB concluded that the 1.5 per cent growth rate provided for in this extension reflected the existence of a special circumstance in terms of paragraph 2 of Annex B. Similar observations were made by the TSB in connexion with growth rates included in the Austrian Article 3 agreement with Brazil, reviewed in December 1978. In the same year, the TSB, in considering two Article 4 agreements notified by the United States noted that the parties thereto, having due regard to the provisions of paragraph 2 of Annex B, agreed to a growth rate in the first year lower than that applicable to the aggregate levels for the second and subsequent years.

In the second year, similar comments were made in respect of the extension of an Article 4 agreement between Austria and Korea and a new Article 4 agreement between Austria and Korea replacing two former Article 3 agreements; Canadian agreements with Hong Kong, Korea, and Poland, and the EEC's agreement with Korea. In relation to the Canadian agreements, the TSB specifically noted that the growth rates varied according to the import sensitivity of products and groups covered. Since these agreements provided a net increase in access for exports to Canada when compared to imports under previous GATT Article XIX action by Canada, the TSB concluded that in overall terms they were in conformity with the Arrangement.

The TSB also noted lack of growth in the aggregate for the first agreement year in the course of a new agreement between the United States and Singapore, bearing in mind the substantial increase in access for certain product categories as well as the growth rate provided for in subsequent years. In relation to the agreement between the United States and the Philippines, the TSB noted that in addition to the significant increases in the aggregate, group and category base levels the provision of 4 per cent growth in the second and successive years, and concluded, that in overall terms the agreement could be regarded as being consistent with the basic objectives and principles of Articles 4 and 1:2 relating to the expansion and orderly development of the trade between the parties. (See also paragraphs 170 and 198.)

1 COM.TEX/SB/364, paragraphs 5 and 6. 2 COM.TEX/SB/388, paragraph 8. 3 COM.TEX/SB/338, paragraph 6. 4 COM.TEX/SB/429, paragraph 8. 5 COM.TEX/SB/477, paragraph 19. 6 COM.TEX/SB/446, paragraph 6. 7 COM.TEX/SB/429, paragraph 13. 8 COM.TEX/SB/446, paragraph 10. 9 COM.TEX/SB/390, paragraph 6. 10 COM.TEX/SB/403, paragraph 8. 11 COM.TEX/SB/429, paragraph 22.
176. In the third year of the extended Arrangement, the existence of exceptional circumstances in respect of growth rate provisions was noted in the case of the agreements between Austria and Hong Kong, Canada and Malaysia, and Canada and Romania. In the case of the agreement between Canada and Romania the TSB noted that the growth varied according to the import sensitivity of the product; it also noted that the base levels established constituted in many instances a significant increase in comparison with Canadian imports from Romania in those categories in 1978, as well as a substantial increase in overall access. In relation to EEC/Hong Kong, the TSB also as in the case of EEC/Korea, considered that, should circumstances change, the procedures which exist in the bilateral agreement for providing additional access should be used.

177. In reviewing an amendment to the agreement between the United States and Haiti, notified in 1980, the TSB noted that the level of the categories affected would remain constant for three years. The TSB further noted, however, that the new limit had been set at a level which incorporated the equivalent of growth for the three years at a rate of at least 7 per cent annually. This front-end loading had been agreed to meet the need of the exporting country.

178. In reviewing a number of amendments to existing agreements between the EEC and Hungary, Korea, Macao, the Philippines and Poland, it was noted that growth rates included in the amendments, and 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 in certain of these cases, the level agreed for the first year of the amendments compensated for the growth lower than the 6 per cent set out in Annex B in subsequent years.

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1 COM.TEX/SB/557, paragraph 7.
2 COM.TEX/SB/577, paragraph 3.
3 COM.TEX/SB/537, paragraph 7.
4 COM.TEX/SB/562, paragraph 5.
5 COM.TEX/SB/562, paragraph 15.
6 COM.TEX/SB/585, paragraph 8.
7 COM.TEX/SB/537, paragraph 7.
8 COM.TEX/SB/571, paragraph 5.
9 COM.TEX/SB/602, paragraph 11.
(d) Comments relating to swing provisions

179. In a large number of agreements notified to it, the TSB remarked that the swing possibilities provided therein do not accord with the provisions of paragraph 5 of Annex B relating to swing, whereby the restraint level for any one product may be surpassed by 7 per cent and, in sparingly used circumstances, by not less than 5 per cent, provided that the aggregate level for all products is not exceeded. For the cases in question, the TSB noticed that either (i) swing was totally absent, (ii) that swing was lower than the minimum figure provided for in Annex B, paragraph 5, (iii) that the right to swing as between agreements, when several agreements were in existence, had not been granted, or (iv) that swing had occasionally been incorporated in the specific limits of an agreement.

180. The importance of swing has been recognized on several occasions since the early days of the MFA. In 1975 it had been noted that swing should be permitted, within the overall quota limits agreed between exporters and importers, both as between groups and between products. It had also been noted that swing provisions were an essential element of agreements under both Article 3 and Article 4, that the swing requirements applied to all products covered by an agreement and that the margins of flexibility laid down in paragraph 5 of Annex B were the minimum permissible (COM.TEX/SB/69). The TSB also stated that when more than one agreement is concluded between a given importing country and a given exporting country, each or any of which covers only one product, the right of the exporting country to swing provisions as between the several agreements remains valid (COM.TEX/SB/89). These comments have been recalled on many occasions during the period under review.

181. In the annual report on its activities during 1978 (COM.TEX/SB/365), the TSB made the general observation that it had noted the lack of swing provisions in an increasing number of agreements notified to it. In reviewing notifications of agreements which offered no explanation for the absence of swing, the TSB had assumed that the exporting countries concerned had waived their rights to swing. The TSB drew the attention of all participants in the Arrangement, both exporting and importing, to their obligations to meet the requirements of Article 4 and Annex B of the Arrangement. In cases where the exporting country waives its right to swing in return for certain other considerations in the agreement, or as a reflection of a mutual recognition of the minimum viable production principle, the notifying country should note this in its short reasoned statement.

Such an assumption was made in 1978 in the cases of the extension of the Austria/India agreement (COM.TEX/SB/364), and in relation to three agreements between Austria and Korea (COM.TEX/SB/364).
182. Subsequently, the TSB's observations made in COM.TEX/69 and 365 were recalled in the following cases reviewed during the extended period of the MFA:

(a) Absence of swing: Austria/Brazil and Finland/India (1978);\(^1\) Sweden/Yugoslavia\(^3\), Sweden/Pakistan\(^4\), Sweden/Singapore\(^5\), Sweden/Macao\(^6\), and Sweden/Korea\(^7\) (1979); Canada/Singapore\(^8\), and Canada/Malaysia\(^9\) (1980).

(b) Agreed rates of swing lower than 5 per cent: Such observations were made in connexion with agreements between EEC/Korea\(^10\), Finland/Hong Kong\(^11\), Canada/Korea\(^12\), Sweden/Hong Kong (first agreement)\(^13\), Canada/Hong Kong and Canada/Poland\(^14\), and Austria/Korea (new agreement)\(^15\) in 1979; and those between Canada/Romania\(^16\) and EEC/Hong Kong\(^17\) in 1980. In addition, the TSB once again recalled its general observations relating to swing in the annual review of its activities in 1979 (COM.TEX/SB/519, paragraph 78).

183. When reviewing the above mentioned agreements between Finland/Hong Kong and Sweden/Hong Kong, where the agreed rates of swing were less than 5 per cent, the TSB also recalled its previous observation concerning cases where the exporting country waives its right to swing as a reflection of a mutual recognition of the minimum viable production principle (COM.TEX/SB/365, paragraph 74) and concluded that these observations would apply to cases with agreed rates of swing lower than those mentioned in paragraph 5 of Annex B of the Arrangement.

184. With respect to the above mentioned agreements between EEC and Hong Kong and Korea, the TSB, after having noted that the parties had agreed to a swing of less than 5 per cent for some of the categories under restraint, further noted that other aspects of the flexibility provisions contained therein were less liberal than those provided for in Annex B. On the evidence available, the TSB found that the low swing and those other aspects might have been agreed to in return for certain other considerations in the bilateral agreement. (See also paragraph 193 below.)

\(^1\)COM.TEX/SB/388.\(^2\)COM.TEX/SB/429.\(^3\)COM.TEX/SB/431.\(^4\)COM.TEX/SB/442.\(^5\)COM.TEX/SB/460.\(^6\)COM.TEX/SB/477.\(^7\)COM.TEX/SB/480.\(^8\)COM.TEX/SB/537.\(^9\)COM.TEX/SB/577.\(^10\)COM.TEX/SB/390.\(^11\)COM.TEX/SB/403.\(^12\)COM.TEX/SB/429.\(^13\)COM.TEX/SB/429.\(^14\)COM.TEX/SB/446.\(^15\)COM.TEX/SB/477.\(^16\)COM.TEX/SB/537.\(^17\)COM.TEX/SB/562.
185. In the case of the second Sweden/Hong Kong agreement (1979-1981), the TSB took note of statements from both parties to the effect that, given the nominal rate of growth, the built-in swing might be lower than the 1 per cent swing which had been provided in the previous agreement.\(^1\) With regard to the United States/Thailand agreement the TSB simply noted that swing had already been included in the specific limits.\(^2\) (See also separate comment on United States/Philippines, paragraph 198.)

186. Subsequently, in 1980, the TSB noted that there was no provision for swing in four agreements concluded by Sweden with India, the Philippines, Sri Lanka and Yugoslavia respectively, and took note of the statement by Sweden that the absence of swing was the result of a mutually agreed recognition of the need to maintain minimum viable production.\(^3\)

187. In addition to the above mentioned observations, the TSB noted, in relation to Canadian agreements with Korea, Hong Kong, Poland and Romania, that flexibility provisions in these agreements, including swing, varied according to the import sensitivity of the products and groups covered therein.\(^4\)

188. In the case of a notification concerning a number of amendments to the United States/Hong Kong agreement it was noted that swing had been reduced to 5 per cent in respect of certain categories for the year 1980.\(^5\) Moreover, in reviewing a new agreement between Finland and Hong Kong in 1980, the TSB noted that swing of 5 per cent had been agreed upon to take account of exceptional circumstances as referred to in paragraph 5 of Annex B of the MFA.\(^6\)

(e) Comments relating to carry-over and carry forward

189. In its review of agreements presented to it, the TSB has noted that the requirements for carry-over and carry forward laid down in Article 4:3 and Annex B, paragraph 5, of the Arrangement, have been treated in a variety of ways. Particular notes or recommendations in respect of these provisions were made on the following agreements:

\(^1\)COM.TEX/SB/480, paragraph 16.
\(^2\)COM.TEX/SB/429, paragraph 6.
\(^3\)COM.TEX/SB/602, paragraph 8.
\(^4\)COM.TEX/SB/429 (Korea), 446 (Hong Kong and Poland), 562 (Romania).
\(^5\)COM.TEX/SB/564, paragraph 3.
\(^6\)COM.TEX/SB/612.
(i) Absence of carry-over and carry forward

190. In four Swedish agreements notified in 1978-1979 with India, Singapore, Sri Lanka and Thailand, the TSB noted the total absence of carry-over and carry forward provided for in paragraph 3 of Article 4. In this connexion the TSB observed that although it paid full heed to Sweden's right to protect its minimum viable production, paragraph 6 of the Understanding reached by the Textiles Committee on 14 December 1977, could not be invoked as a general waiver of particular obligations under the Arrangement.1 (See paragraphs 155 and 194.)

191. In the case of the Canada/Poland agreement, the TSB, while noting the absence of carry-over and carry forward in respect of a minor proportion of the products covered by the agreement, found that the agreement provided for a significant increase in net access for Polish exports in 1979, as compared to 1978, and that the agreement, in overall terms, was in conformity with the Arrangement.2 In reviewing the Canada/Romania agreement, the TSB noted the absence of provisions for carry-over and carry forward in respect of certain products. The TSB found, however, in its consideration of all elements of the agreement that it provided for a significant increase in access for imports from Romania compared with the levels in 1978, and that the agreement was, in overall terms, in conformity with the Arrangement.3

192. In its review of amendments to the agreement between the United States and Hong Kong, the TSB noted, inter alia, the elimination of carry-over and carry forward with respect to certain categories for the year 1980. 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 Hong Kong's continued access to the United States market. (See also paragraph 213 below.)

(ii) Less liberal provisions

193. With respect to the EEC's agreements with Hong Kong and Korea, the TSB had occasion to note the less liberal flexibility provisions than those provided for in Annex B.4 For TSB's comments see paragraph 184 above.

194. In reviewing new agreements concluded by Sweden with India, the Philippines, Sri Lanka and Yugoslavia respectively, the TSB noted that following its earlier recommendations some carry-over and carry forward were provided for in the agreements.5 (See paragraphs 155 and 190 above.)

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1 COM.TEX/SB/380 and 460.
2 COM.TEX/SB/446.
3 COM.TEX/SB/537.
4 COM.TEX/SB/390 and 562.
5 COM.TEX/SB/602, paragraph 7.
(iii) Variation in carry-over/carry forward

195. With respect to the agreements concluded by Canada with Hong Kong and Korea, the TSB noted that the provisions for carry-over and carry forward in these two agreements varied according to the import sensitivity of the products and groups covered therein. Nevertheless, on the basis of the available data, the TSB concluded that the agreements provided for a net increase in access for the exporting countries' exports in 1979, in comparison with Canada's imports from these two countries in 1978, when the GATT Article XIX restraint régime was in effect. The TSB thus concluded that both agreements, in overall terms, were in conformity with the Arrangement.¹

(iv) No carry forward provided

196. In the agreement between Sweden and Macao, the TSB noted that while the agreement provided for a carry-over from the first agreement period into the second one, no provisions had been made therein for carry forward, as provided for by paragraph 3 of Article 4 of the MFA. The TSB expressed the view that this should be included in future agreements. The TSB also noted that the net reduction in access resulting from the reductions in most of the restraint levels in the first period of the new agreement had been compounded by the limited flexibility provisions of the agreement, which were less liberal than those provided for in Annex B of the Arrangement. The TSB, recalling that all the provisions of the Arrangement, as extended by the Protocol, must be observed, recommended that if this agreement were to be extended, modified or renewed, both parties thereto should also take fully into account the observations made by the TSB.²

(v) Reduction in percentages of carry-over and carry forward

197. In reviewing the agreements concluded by Sweden with Hong Kong (for period 1 April 1979-31 March 1981) and Korea (for period 1 March 1979-28 February 1981) the TSB noted that the carry-over and carry forward provided for were less than those allowed for in the agreements that preceded them. The TSB took note, in each case, of the statement by the Swedish representative that these were the amounts that could be provided for at that particular juncture. Observing that the carry forward amounted only to 2.5 per cent in each agreement, the TSB recalled its previous observation that the margins of flexibility laid down in paragraph 5, of Annex B, were to be observed. The TSB expressed the view that every effort should be made to ensure that the flexibility provisions of future agreements are in conformity with the provisions of the Arrangement.³

¹COM.TEX/SB/429 and 446.
²COM.TEX/SB/477.
³COM.TEX/SB/480.
(vi) Incorporation of all flexibility provisions

198. In one special case, United States/Philippines, the TSB noted that the agreement included the unusual feature of encompassing all flexibility provisions within the base limits of the agreement. During its examination the TSB noted that the aggregate group and category base levels in the new agreement involved significant increases over the limits set out in the previous one, and that the parties thereto had mutually agreed that such increase accommodated the growth and flexibility provisions of the Arrangement.¹ (For conclusions of the TSB see paragraphs 170 and 175.)

(f) Other observations of a specific nature

(i) Price clauses

199. In its review of EEC agreements with Hungary, Poland and Romania the TSB had the occasion to make an observation with respect to particular provisions contained therein concerning imports arriving in the European Community at "abnormally low prices". In this connexion the TSB found that such price clauses fell outside the framework of the MFA. The TSB was of the further view that the application of such clauses could be in conflict with the provisions of Article 9:1 of the Arrangement and that in implementing bilateral agreements containing such clauses, the provisions of Article 9:1 should be fully observed.²

(ii) Apparent conflict in an agreement's procedure

200. In examination of the EEC/Hungary agreement the TSB made a comment regarding the possibility of an apparent conflict between the specific procedures contained in an agreement for activating its price clause provisions and an analogous safeguard procedure contained in the Protocol of Accession to the GATT of one of the parties to the agreement. The TSB, whilst of the view that the existence of two different procedures could give rise to certain legal problems, did not address itself to the issue, having due regard to its findings on such price clauses (see paragraph 199 above).

¹ COM.TEX/SB/429.
² COM.TEX/SB/457, 477.
³ COM.TEX/SB/477.
(iii) **Coverage of non-MFA products**

201. In the case of Swedish agreements with Korea, Pakistan and the Philippines, the TSB noted that the said agreements covered textile products of non-MFA fibres. The TSB thus concluded that such agreements were inconsistent with the definition laid down in Article 12:1, and it did not address itself to the other aspects of the agreements in question. The TSB recommended therefore that such agreements be extended, modified or renewed, they should include only products within the purview of Article 12:1. When new agreements with the first two aforementioned countries were notified, the TSB took note that its earlier recommendation regarding MFA product coverage had been put into effect. The new agreement with the Philippines also has only MFA-coverage.

(iv) **Differences in product categorization**

202. In its review of a number of agreements, the TSB noted that the restraint levels which had been established had been based on a product categorization system which differed from the classification of the import and export statistics of the countries concerned. The TSB simply noted that the difference in product classification had made it difficult for the Body to determine the extent to which the new restraint levels compared with the actual level of trade in the proper reference period in terms of Annex B.

203. This comment applied to the Canadian agreements with Hong Kong, Korea, and Poland, respectively. Part of the general observation on EEC notifications (paragraph 157) is also of relevance in this connexion.

(v) **Unilateral imposition of restrictions**

204. In considering agreements between Sweden and Sri Lanka and Thailand respectively, in 1978, the TSB noted that the Swedish authorities had stated that any application of Article 8 concerning unilateral imposition of restrictions by Sweden of these agreements would be fully consistent with the provisions of the MFA. In reviewing agreements between Sweden and the Philippines, Sri Lanka and Yugoslavia notified in 1980, the TSB gave particular consideration to the provisions laid down in the three agreements for the unilateral imposition of restrictions in the event of disagreement on the renewal or extension of these agreements. The TSB understood that any unilateral imposition of restrictions according to such provisions shall be in full conformity with the provisions of the MFA. In this connexion, the TSB recalled the above-mentioned statement by the Swedish authorities.
B. Observations of general application

(i) Duration of agreements

205. In its annual report to the Textiles Committee in 1978 (COM.TEX/SB/365), the TSB noted that certain of the bilateral agreements notified to it had an expiry date which went beyond the validity of the extended Arrangement. In such cases the TSB had reaffirmed that the validity of the relevant TSB reviews could extend no longer than the life of the MFA.

(ii) Delay in notifications

206. The TSB had noted in many cases that there had been a considerable delay in the notification of actions taken, agreements concluded or amendments to these agreements under the MFA. In several instances, agreements or amendments had been notified to the TSB only after their expiry date. In its annual reports for 1978 and 1979, the TSB had urged all participants to comply with the requirements of the MFA, and in particular with the thirty-day requirement contained in Article 4:4. However, in a few cases during 1980, the TSB again had occasion to note delay in notifications and to recall the notification requirements of the MFA. The TSB once more urged that notifications should be made promptly.1/

(iii) Fulfilment of notification requirements

207. In its annual review in 1978, the TSB had noted that certain notifications received under Article 3 were lacking in readily accessible details regarding reference periods and levels. The TSB had urged that all notifying countries should furnish, except where genuine technical difficulties prevent it, information and comparative data required by Annexes A and B of the MFA, along the lines set down in the indicative checklist of elements to be taken into account in consideration of Article 3 actions, established by the TSB in the Annex to COM.TEX/SB/83.2/ These provisions were recalled in 1980 in the course of the TSB's review of a two-year bilateral agreement concluded under Article 3 between Canada and Brazil, beginning 1 January 1979. In reviewing this agreement, the TSB noted that with respect to market disruption, the Canadian presentation did not include several elements set out in Annex A of the MFA. Nevertheless, it found that the terms of the agreement were consistent with the relevant provisions of the Arrangement, and agreed to transmit it to the Textiles Committee.2/

1/ See COM.TEX/SB/380, 519, 541 and 602.
2/ See COM.TEX/SB/365, paragraph 71.
3/ See COM.TEX/SB/602, paragraph 5.
(iv) **Recourse to Article 11:4 in cases of disputes arising out of the implementation of Article 4 agreements**

208. The TSB also had occasion to issue a general reminder with respect to the rights of participants when there are disputes concerning the implementation of Article 4 agreements. In this connexion, the TSB had no doubt that the availability of recourse to Article 11:4 was always open to the parties in question.¹

(v) **Importance of handloom fabrics and handmade products (Article 12, paragraphs 3 and 4)**

209. In a general discussion of the issues pertaining to the provisions of Article 12, arising out of the review of a number of bilateral agreements, the TSB noted the importance of handloom fabrics and handmade products thereof to many participating countries, and in this regard drew the attention of all participants to the provisions of Article 12, paragraph 3. The TSB also recalled that, in cases where difficulties arose out of the interpretation of these provisions, recourse to Article 12, paragraph 4, was always available to all participants. The TSB was of the view that the effective operation of the provisions of paragraph 3 of this Article depend primarily upon those parties concluding agreements thereunder. In this respect, the TSB observed that should a question be referred to it in this context then the Body would discharge its responsibilities having due regard to the provisions of Article 12, paragraph 4, and its established procedure for the review of notifications.²

(vi) **Trans-shipment and circumvention**

210. In 1979, the TSB was informed by the representative of the EEC of certain problems relating to trans-shipment and circumvention as set out in Article 8 of the Arrangement.

211. The TSB subsequently took note of a number of agreements concluded between the United States and certain exporting countries, establishing export visa systems with the aim of preventing such circumvention, and in one case concluding improvements in an existing export authorization system.³

212. In 1980 the TSB was also informed by Hong Kong of the establishment of an import licensing system for textile products aimed at preventing trans-shipment.

(vii) **Importance of stability of access**

213. In connexion with an amendment to an Article 4 agreement between the United States and Hong Kong in which swing provisions had been reduced and carry-over/carry forward eliminated for one year (see paragraphs 188 and 192)

¹See COM.TEX/SB/380, paragraph 4.
²See COM.TEX/SB/406, paragraph 3, and 477, paragraph 4.
³See COM.TEX/SB/477, 518, 557 and 564.
the TSB made a general comment stressing the importance it attached to stability of access, as embodied in the concept of orderly development of trade in terms of Article 4, paragraph 2.1/

(viii) Measures taken outside the MFA

214. The TSB urged participating countries to have full regard to the provisions of Paragraph 9 of the Conclusions adopted by the Textiles Committee on 14 December 1977, which state, inter alia, that "in order to ensure the proper functioning of the MFA, all participants would refrain from taking measures on textiles covered by the MFA outside the provisions therein before exhausting all the relief measures provided in the MFA".

C. Observations relating to market disruption and the risk of market disruption

215. During 1980, in the course of its work for the Major Review the TSB reviewed the operation of the provisions of the MFA relating to market disruption and the risk thereof. In this connexion, the following points were made:

(a) Market disruption or risk thereof and their relation to Articles 3 and 4 of the MFA

216. Actions taken unilaterally and bilateral agreements concluded under Article 3 of the MFA are limited to "the precise products and to countries whose exports of products are causing market disruption", as defined in Annex A.

217. Bilateral agreements are concluded under Article 4, "on mutually acceptable terms, in order, on the one hand, to eliminate real risk of market disruption (as defined in Annex A) in importing countries and disruption to the textiles trade of exporting countries, and on the other hand, to ensure the expansion and orderly development of trade in textiles and the equitable treatment of participating countries".

218. Annex B of the MFA states that, should restraint measures remain in force for more than one year, then "in exceptional cases where there are clear grounds for holding that the situation of market disruption will recur", a positive growth rate lower than 6 per cent may be decided upon after consultations with the exporting country or countries concerned.

219. The two factors which Annex A states must be taken into consideration in determining "market disruption" are:

(i) A sharp and substantial increase, or imminent increase of imports of particular products from particular sources;

\(^1\) See COM.TEX/SB/564.
(ii) These products are offered at prices which are substantially below those prevailing for similar goods of comparable quality in the market of the importing country.

TSB review procedures for Article 3 and Article 4

(i) Article 3

220. In the case of unilateral measures under Article 3:5, the TSB is required to invite each party to a dispute to present its case. Bilateral agreements under Article 3:4 are communicated to the TSB, which is required under this Article to determine whether the agreement is justified in accordance with the provisions of the MFA: i.e. that it is in conformity not only with the terms of the Article 3, but also with other relevant provisions of the MFA. In terms of Article 3:3, the notifying country is obliged to send to the Chairman a copy of the request for consultations. For the review of such agreements, under procedures laid down in 1974 (COM.TEX/SB/35, Annex A), notifications of such agreements to the TSB are to be accompanied by "a detailed, factual statement of the reasons and justifications for the request, including the latest data concerning elements of market disruption".

(ii) Article 4

221. In its review of Article 4 notifications the TSB considers their consistency with the provisions of this Article according to the procedures laid down in COM.TEX/SB/35, Annex B. Countries notifying Article 4 agreements should submit the following:

"(a) The full text of the bilateral agreement and all related documentation;

(b) A short reasoned statement demonstrating that the agreement was entered into in order, on the one hand, to eliminate the real risks of market disruption in the importing countries, and disruption to the textile trade of exporting countries, and, on the other hand, to ensure the expansion and orderly development of trade in textiles and the equitable treatment of participating countries; and indicating that the provisions of paragraph 3 of Article 4 have been satisfied."

222. Article 3 agreements or actions are therefore based on the existence of market disruption, while Article 4 agreements may be concluded in order to eliminate real risk of market disruption.
(iii) TSB review practice

223. In the initial MFA period, the TSB had noted that difficulty was encountered in reviewing some notifications under Article 3, because they lacked certain necessary elements of information. An indicative check list of elements to be taken into account in consideration of Article 3 action was prepared by the TSB in 1975 (COM.TEX/SB/83)\(^1\) for assistance to participating countries, both in the negotiation of Article 3 agreements, and in their presentation for review by the TSB. Nevertheless, as noted in COM.TEX/SB/365, some of the notifications subsequently received were still found to be incomplete as regards the question of market disruption.

224. Since the renewal of the MFA in 1977, only a few actions or bilateral agreements concluded under Article 3 have been notified to the TSB. The only bilateral agreements notified under Article 3:4 were concluded by Austria and Canada.

225. One of the elements to be included in the short reasoned statements submitted with Article 4 agreements is information relating to the real risk of market disruption, as noted in paragraph 221 above. Such statements need not be as comprehensive in respect of Article 4 agreements as in the case of Article 3 agreements or actions. In practice, most statements submitted by notifying countries have tended to relate more to the other elements mentioned in 221(b) above.

226. The TSB recalls these notification requirements, and particularly the need to provide adequate information on "real risk of market disruption" in the short reasoned statements submitted by notifying parties. Such information could include relevant data as set out in Annex A of the MFA.

(iv) Recurrence of market disruption

227. As stated in paragraph 218 above, positive growth rates lower than 6 per cent may be decided on "in exceptional cases where there are clear grounds for holding that the situation of market disruption will recur" but, in notifying such agreements, a full explanation has not always been provided. The TSB stresses that, where this provision of Annex B has been invoked during the negotiation of an agreement, the notifying country should so specify and, having due regard to the information called for in the case of occurrence of market disruption, should provide an explanation of the "grounds" for the lower growth rates decided upon.

\(^1\)See paragraph 207 above.
D. Observations relating to the implementation of the provisions of Article 6, paragraphs 1, 2 and 3

228. During its work for the major review in 1980, the TSB also considered the modalities of implementation of certain provisions of Article 6 of the MFA relating to the treatment of developing countries, new entrants and small suppliers. These aspects had also been considered in the previous major review.

229. In its previous report, the TSB, while recognizing that account had been taken of Article 6 by some participating countries, had formed the impression that greater emphasis should be placed on those elements of Article 6 which call for more favourable treatment for developing countries. In view of this, the TSB had a full discussion of the requirements in this respect of Article 6, as set out below.

230. Paragraphs 1-3 of Article 6 of the MFA cover the following situations:

(a) Article 6:1: states that importing countries which apply MFA restrictions affecting the trade of developing countries should "provide more favourable terms with regard to such restrictions, including elements such as base levels and growth rates, than for other countries". It also provides that if pre-MFA restrictions are maintained under the MFA, "provisions should be made for higher quotas and liberal growth rates".

(b) Article 6:2: specified that the criterion of past performance "shall not be applied in the establishment of quotas for (developing countries') exports of products from those textile sectors in respect of which they are new entrants... and a higher growth rate shall be accorded to such exports".

(c) Both Article 6:1 and Article 6:2, however, stipulate that such special treatment for developing countries should not cause "undue prejudice to the interests of established suppliers" or "serious distortion in existing patterns of trade".

(d) Article 6:3: specifies that "restraints on exports from participating countries whose total volume of textile exports is small in comparison with the total volume of exports of other countries should normally be avoided if the exports from such countries represent a small percentage of the total imports of textiles covered by this Arrangement of the importing country concerned".

231. In practice, the application of differential treatment under Article 6:1 provisions is difficult, if not impossible to evaluate. The only countries other than developing countries with which MFA agreements have been concluded are Japan and certain State-trading countries. Given this situation, there appears to be no adequate basis for a firm conclusion on the degree of differential treatment accorded to developing countries under Article 6:1.
232. "New entrants" are normally considered in relation to particular sectors; "small suppliers" in relation to the overall trading position of the countries concerned. Thus Articles 6:2 and 6:3 cover partially overlapping situations, in that "new entrants" may frequently also be "small suppliers", and vice-versa. Article 6:2 could also cover a situation of a major exporting country moving into a new textile sector.

233. The MFA does not set down any precise criterion for defining a small supplier. In this connexion it has been noted that small suppliers in terms of their overall trade performance could be relatively important suppliers in certain specific categories. It is to be recalled that the question of whether or not restrictions should be applied to exports from small suppliers had been discussed in the TSB (see paragraph 84 of COM.TEX/SB/196).  

234. Based on the agreements concluded under the MFA, the trade performance in textiles and clothing of the developing exporting countries concerned, and the points indicated in paragraph 233 above, the following can be seen in respect of the position of small suppliers.  

(a) The United States has no MFA agreements with the following MFA exporting participants: Bangladesh (share of imports in 1978 0.005 (0.002) per cent), Bolivia (0.006 (0.001) per cent), Ghana (0.002 (0.002)), Guatemala (0.07 (0.105)), Hungary (0.02 (0.09)), Indonesia (0.25 (0.18)), Israel (0.40 (0.34)), Peru (0.37 (1.93)), El Salvador (0.58 (0.45)), Trinidad and Tobago (0.20 (0.02)), Turkey (0.08 (0.11)) and Uruguay (0.38 (0.12)). Consultation agreements exist in Egypt (0.07 (0.9)) and Jamaica (0.11 (0.16)). Countries falling within the range of the above percentage shares, with which agreements incorporating restrictions on certain categories have been concluded are: Malaysia (0.49 (0.65)), Yugoslavia (0.34 (0.12)) and Sri Lanka (0.16 (0.55)).  

1 The relevant part of this paragraph reads as follows: "... There was general agreement that in some circumstances small quantities of imports from a particular source could be instrumental in causing or threatening serious damage". However, what should be regarded as "small quantities", and the nature of the circumstances of the case, would be matters for the TSB to consider in the light of all relevant factors and on a case-by-case basis.

2 The statistics shown here are based on trade in value terms in textiles and clothing combined, as shown in COM.TEX/W/63, and are therefore purely indicative in nature. In the case of the United States, the first figure shown is trade by value in 1978: the second figure - trade by volume in 1979.

3 Not as yet notified to the TSB.
(b) The EEC has no MFA agreements with Bolivia (0.013),
Dominican Republic (0.00) and El Salvador (0.03); nor with Ghana (0.001),
Jamaica (0.002), Trinidad and Tobago (0.00), Israel (1.29) and Turkey (2.37)
which are among the countries with which the EEC maintains special trading
arrangements. Consultation agreements exist with Bangladesh (0.01),
Guatemala (0.009), Haiti (0.005), Indonesia (0.16) and Uruguay (0.37). Of
these, the consultation mechanisms have been invoked in the cases only of
Indonesia and Uruguay. Countries falling within the above range of percen­
tage shares, with which agreements incorporating restrictions on certain
categories have been concluded are Colombia (0.25), Egypt (0.35),
Mexico (0.20), Peru (0.23) and Sri Lanka (0.09).

(c) Canada has no agreements with Turkey (0.006), Yugoslavia (0.05),
Israel (0.31), Egypt (0.08), Ghana (0.00), Bangladesh (0.003),
Indonesia (0.004), Bolivia (0.006), Colombia (0.35), Peru (0.08),
Uruguay (0.05), Mexico (0.57), Dominican Republic (0.00), El Salvador (0.05),
Guatemala (0.03), Haiti (0.02), Jamaica (0.00), or Trinidad and Tobago (0.00).
Countries falling within the above range of percentage shares with which
agreements incorporating restrictions on certain categories have been con­
cluded are Sri Lanka (0.00), Macao (0.00), Pakistan (0.39), Singapore (0.22),
Malaysia (0.35), Philippines (0.25), Romania (0.41) and Thailand (0.17).

(d) Sweden has no agreements with Turkey (0.07), Romania (0.25),
Israel (0.15), Egypt (0.11), Ghana (0.00), Bangladesh (0.002),
Indonesia (0.02), Bolivia (0.003), Brazil (0.38), Colombia (0.25),
Peru (0.1), Uruguay (0.01), Mexico (0.12), Dominican Republic (0.00),
El Salvador (0.03), Guatemala (0.003), Haiti (0.02), Jamaica (0.00) and
Trinidad and Tobago (0.00). Countries falling within the above range of per­
centage points with which agreements incorporating restrictions on certain
categories have been concluded, are Sri Lanka (0.27) and the Philippines (0.34).

235. In view of the relatively small number of selective agreements with
limited product coverage concluded by Austria and Finland, the countries
with which agreements exist are listed below:

(a) Austria has agreements with Brazil (0.47 per cent), Hong Kong (2.55),
India (0.46), Korea (1.4) and Macao (0.2). Some countries falling within
this range such as Turkey (0.39), Yugoslavia (0.38), Romania (0.7) are not
subject to agreements under the MFA.

(b) Finland has agreements with Hong Kong (2.23 per cent), India (0.98),
Korea (0.78), Macao (0.19), Malaysia (0.06), Singapore (0.05) and
Thailand (0.27).
Chapter 6: A. Evolution of restrictions maintained or introduced by participating countries (Article 11 notifications)

(a) Background

236. For the purpose of the Major Review, and in order to present to the Textiles Committee as complete an inventory as possible of all restrictions maintained or introduced by participating countries in the sense of Article 11 of the MFA, the TSB had a full discussion of the relevant provisions thereof.

237. Article 11:11 requires the TSB to review annually all restrictions on textile products maintained by participating countries at the commencement of the Arrangement and to submit its findings to the Textiles Committee. These restrictions had originally been notified by participating countries under Article 2:1. All such restrictions, unless justified under GATT (including its Annexes and Protocols), were to be terminated or brought into conformity with the MFA by one of the procedures set out in Article 2. It is to be recalled that the annual review required by Article 11:11 followed a first overall review, called for in Article 2:5, of the compliance of participating countries with their obligations under Article 2. Such a review was carried out by the TSB in 1975 and reported to the Textiles Committee in document COM.TEX/115 and Add.1.

238. Article 11:12, in turn, requires an annual review by the TSB of all restrictions introduced or bilateral agreements entered into by participating countries concerning trade in textile products since the coming into force of the Arrangement and required to be reported to it thereunder. Notifications of those restrictions are normally made under Articles 3, 4, 7, 8, 21 and 11 of the MFA, and are reviewed by the TSB, and subsequently circulated to the Textiles Committee.

239. Article 11:2 authorizes the TSB to seek such additional information as may be deemed appropriate for its work. Thus, for the sake of completeness and transparency, the TSB decided that for the purpose of the Major Review information should be sought from participating countries in terms of this paragraph on any quantitative restrictions as may exist on trade in textiles outside the provisions of the MFA.

Notifications of agreements of unilateral actions vis-à-vis non-participants are made for information purposes and subsequently circulated to the Textiles Committee under Articles 7 and 8.
(b) Request for information

240. Accordingly, participating countries were invited by the Chairman of the TSB to submit information on existing unilateral restrictions, bilateral agreements and any other quantitative measures in force which have a restrictive effect, be they effected under the MFA or outside its provisions vis-à-vis other participants or non-participants, it being understood that in cases where restrictions were justified under the provisions of the GATT, including its Annexes and Protocols, these should be notified for information purposes. In their submissions, participating countries were requested to list measures which were in effect as of 1 January 1978 or which had been introduced since that date.

241. As at 20 September 1980 replies have been received from Austria, Brazil, Canada, EEC, Egypt, Finland, Hong Kong, Hungary, India, Indonesia, Japan, Korea, Malaysia, Mexico, Poland, Romania, Singapore, Sri Lanka, Sweden, Switzerland, Thailand, Turkey, United States, Uruguay and Yugoslavia. These notifications have been circulated to the Textiles Committee. The TSB noted that replies have not been received from Argentina, Bangladesh, Bolivia, Colombia, the Dominican Republic, El Salvador, Ghana, Guatemala, Haiti, Israel, Jamaica, Macao, Pakistan, the Philippines, Trinidad and Tobago. Notification from Czechoslovakia under Article 2:1 is still awaited.

(c) Evolution of restrictions

242. On the basis of the replies received the TSB compiled a set of tables (contained in Addenda 1 to 4 of this report) for the purpose of comparing the restrictions maintained at present with those notified at the beginning of the Arrangement under Article 2:1, and to the extent possible with those maintained during the first period of the MFA.

243. The tables for exporting participating countries list pre-MFA restrictions and those existing as of 1 January 1978, classified according to CCCN or product description, type of measure applied, reference to GATT provisions where applicable, country affected and levels of imports, entry and expiry dates of the measures. In the case of the importing participants, in addition to the pre-MFA restrictions, similarly classified, the status of MFA restrictions including levels, growth and flexibility, is given separately for the first period, i.e. 1 January 1977-31 December 1977 and for the extended period, i.e. from 1 January 1978. Restrictions during the extended period of the MFA have been further divided to show: (a) measures which were notified under Article 2:1 and which have been continued; (B) agreements and measures under the MFA; (C) other measures outside the MFA.

1 Since 20 September 1980, the TSB has received a reply from Peru.
244. The replies received and tabulated are summarized in the following paragraphs.

245. A number of participants maintained no restrictions on textile imports at the beginning of the Arrangement and have introduced none since then. These are Egypt, Hong Kong, Japan, Malaysia, Singapore, Switzerland and Uruguay.¹ Brazil, which had maintained no restrictions at the coming into force of the MFA, had introduced restrictions under GATT Article XVIII during the extended MFA period.

246. A number of exporting participants had notified restrictions in force at the inception of the Arrangement. Some have since liberalized these restrictions, while others have continued to maintain restrictions in varying degrees during the extended MFA period. Changes in the status of these restrictions as reported by participants range as follows:

(a) some countries (Korea, Peru and Thailand) have liberalized all quantitative restrictions since 1978;

(b) other countries (Hungary and Mexico) have liberalized part of their earlier restrictions. In the case of Hungary the remaining quotas are either indicative or pro-memoria;

(c) in the case of some others (India, Turkey and Yugoslavia) there has been little or no change in their previous restrictions under Article XVIII of GATT. In the case of Indonesia, the TSB noted the report of the Committee on Balance of Payments contained in BOP/R/108, whereby Indonesia had ceased to invoke balance-of-payments reasons as the legal basis for these restrictions on 15 November 1979. In this connexion the TSB took note of the statement made by Indonesia in its notification that it was at present considering revoking all remaining restrictions;

(d) two countries (Poland and Romania) which had previously notified bilateral quotas at the beginning of the MFA now maintained no restrictions, and the indicative quotas or licences notified by them have no restrictive effect.

¹El Salvador in 1979 and Guatemala in 1978, in their replies under Articles 11:11, had notified that they maintained no quantitative restrictions. No replies have been received from these countries for the purposes of this report.
247. As regards the conformity of such restrictions with the MFA, developing participants which are GATT contracting parties have usually invoked Article XVIII of the GATT (balance-of-payments measures) as justification for the maintenance of their restrictions. In these cases, the TSB has taken note of the Conclusions of the Balance-of-Payments Committee.

248. Restrictions maintained by developing participants which are non-contracting parties have been considered in accordance with a special procedure agreed to by the TSB in 1974. It was then recognized that it would be inappropriate and unreasonable to expect such countries to justify their restrictions before permanent GATT bodies. The TSB had, therefore, evolved a procedure for such participating countries which would result in a treatment analogous, as far as practicable, to that received by the contracting parties to GATT (see COM.TEX/SB/27 - Annex). The participants in question are Bolivia, the Dominican Republic, Mexico and Thailand.¹

249. A number of developed importing participants had restrictions in force at the commencement of the MFA. In these cases a distinction is made between three types of pre-MFA restrictions which were notified under Article 2:1:

(i) Restrictions vis-à-vis non-MFA participants, be they contracting parties or non-contracting parties to the GATT. In general, these were maintained against Eastern trading area countries. In 1974 the point was made in the TSB that the notification of these restrictions with regard to non-participants would not necessarily imply that the requirement of Article 2 (to eliminate or bring into conformity with the provisions of the MFA all such restrictions) would apply to such non-participants, because these countries could not claim rights under the Arrangement (see COM.TEX/SB/44, paragraph 16).

¹As noted above, other participants, non-contracting parties to GATT, i.e. Guatemala and El Salvador, maintain no restrictions. For the justification of restrictions maintained by MFA members which are not contracting parties, see Section B below (paragraphs 263-266).
(ii) Restrictions justified under GATT (including its Annexes and
Protocols). Such restrictions with respect to participating
countries were mainly maintained by Canada under Article XIX,
and by the EEC and Nordic countries vis-à-vis Romania, Poland
and Hungary on the basis of the Protocol of Accession of these
countries to the GATT. Under Article 2:4, the EEC had notified
its intention to negotiate bilateral agreements with them under
the MFA. Finland, Norway (at that time a party to the MFA) and
Sweden had indicated that in negotiations regarding the future
of these measures they would give due consideration to the
objectives of the MFA and that they were willing to consider
transforming trade measures on textiles into agreements under
the relevant provisions of the Arrangement, by agreement between
the parties concerned.

(iii) Restrictions required to be terminated or brought into conformity
with the MFA in accordance with one of the procedures set out
for this purpose in Article 2 thereof.

250. As regards the type of restrictions mentioned in (i) above, the tables
included in Addenda 1 to 4 show the extent to which such restrictions have
been continued or modified. In this context it should be noted that
Czechoslovakia has become a member of the MFA as of 1 July 1980. The texts
of agreements negotiated or actions taken with respect to these countries,
to the extent that such notifications have been made to the TSB, are
circulated to the Textiles Committee under Articles 7 and 8. These are
included in Chapter 4(c) of this report.

251. With respect to (ii) above, the situation is summarized in paragraphs 252
to 256 below.

252. During the currency of the Arrangement Canada extended its pre-MFA
restrictions under Article XIX and introduced restrictions on imports of
other textile items as well as all clothing items under this Article.
These actions have now been terminated and superseded by bilateral agreements
under the MFA.

253. The EEC had concluded Article 4 bilateral agreements with Poland,
Romania and Hungary to supersede the previous restrictions maintained against
these countries under their protocols of accession to GATT. The EEC's
notification under Article 11 also lists safeguard measures which had
been taken in respect of three countries, one of which (Turkey) is a party
to the MFA. Such measures were concluded under the trade or association
agreements with these countries.

254. Further, the EEC has notified to the TSB an emergency action taken
in pursuance of Article XIX to establish import quotas for two products
in respect of the United Kingdom.
255. Finland has liberalized its restrictions on imports from Hungary, Poland and Czechoslovakia, having concluded free-trade agreements under Article XXIV of the GATT with these countries. Restrictions on imports from Korea, which were based on a 1967 bilateral protocol established in the context of Korea's accession to GATT, have been terminated and replaced by a bilateral agreement under Article 4 of the MFA.

256. Sweden has not concluded agreements with Hungary, Poland and Romania within the framework of the MFA. Restrictions against these countries have continued under the protocols of accession.

257. As regards restrictions under (iii) above, the situation is summarized in paragraphs 258 to 262 below.

258. The attached tables relating to the importing countries present a full picture of the extent to which old restrictions, existing at the inception of the Arrangement, have been removed and new ones introduced. The participating countries concerned had used the instruments provided by the MFA (e.g. elimination, phase-out, bilateral agreements) in seeking to adapt their pre-MFA restrictions to the requirements of the Arrangement. In cases where old restrictions have been brought into conformity with the Arrangement by being converted into new bilateral agreements under Article 3 or 4 thereof, their status is precisely the same as that of new restrictions under these Articles. Chapter 4 lists the actions taken or agreements negotiated during the extended period of the MFA for each importing country, and the observations by the TSB thereon are given in Chapter 5.

259. During the extended period of the MFA, there has been a definite shift from Article 3 actions, be they bilaterally agreed or unilaterally imposed, to Article 4 agreements. In the first period thirty-five bilateral agreements had been notified to the TSB under paragraph 4 of Article 3, and twenty-nine unilateral actions under paragraphs 5 and 6 thereof. During the second period, however, only five bilateral agreements under Article 3 and six unilateral measures have been notified to the TSB.

260. There has also been an expansion in the product coverage as well as in the number of exporting countries subject to restrictions. Some importing participants which had previously selective agreements have now more comprehensive ones. Under the extended MFA, the EEC has negotiated comprehensive agreements covering the complete range of MFA products. The agreements negotiated by Sweden cover all clothing and made-up items. Other participants have continued more or less the previous structure of their agreements, i.e. comprehensive in the case of the United States; selective in the case of Austria, Canada and Finland.
261. It would be insufficient to measure market access only in terms of the increase or the decrease in the number of products subject to restrictions because the trade significance of different products, in terms of volume, or of the importance of such products for the countries concerned, varies considerably. However, it appears from the relevant tables that there are, on the whole, more restrictions in existence now as compared with the first period of the MFA. This does not necessarily indicate that trade levels have been reduced since quotas in most cases exceed trade performance. Nevertheless, the TSB has noted certain reductions in base levels and, in some cases, in access. To the extent that such provisions constitute departures from the MFA, the TSB has made appropriate observations, as set out in Chapter 5 above. Also, in many instances, growth rates and in some cases flexibility provisions included in agreements concluded in the second MFA period are lower than the levels or percentages set out in the MFA.

262. The tables give all the elements of the bilateral agreements, i.e. levels, growth, swing, carry-over/carry forward, and permit a comparison between the first and second period of the MFA. These tables, when read in conjunction with the catalogue of variations from Annex B, which was prepared by the TSB for the Textiles Committee in July 1980, provide a complete picture of the evolution of the restrictions, and the way in which the Arrangement has been implemented throughout the period.

B. Justification of restrictions maintained by MFA participants which are not contracting parties to the GATT

263. Bolivia, in connexion with its accession to the MFA in 1978, had submitted a memorandum in October 1978 justifying its restrictions on imports of textiles under Article 2:1.1/ Subsequently, in April 1979, Bolivia supplied additional information on its economy, foreign trade and balance of payments (COM.TEX/SB/423). The TSB concluded that Bolivia was not at this stage required to remove its restrictions, and requested a report on the evolution of its textile industry and its relation to the restrictions in force by 1 January 1980, which has not yet been received by the TSB.

264. The Dominican Republic acceded to the MFA in March 1979. No report under Article 2:1 has yet been received by the TSB.

265. Mexico had submitted a memorandum and at the TSB’s request a delegation had presented its case for review by the TSB. The TSB had then concluded that on the basis of the information submitted to it, Mexico was not required to terminate the restrictions at the time, and had recommended that the Government of Mexico report before the end of 1975 on the evolution of the

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textile industry and its relationship to the restrictions then in effect (COM.TEX/SB/30). The TSB received two periodic reports from Mexico. The second report was received in June 1978 (COM.TEX/SB/330). The TSB had requested Mexico to submit a further report by the end of January 1979, which was supplied in reply to the request for information under Article 11. This report sets out the liberalization of many textile items which were previously under restrictions.

266. Thailand had made a notification under Article 2:1 on the status of its restrictions on textile imports (COM.TEX/SB/165). Furthermore, in June 1976 it submitted a memorandum to the TSB on the situation of its textile industry and the evolution of its textiles policy (COM.TEX/SB/187). After its examination of the memorandum, the TSB came to the conclusion that Thailand was not required at the time to terminate its restrictions, and requested a further report by the end of 1977 on the evolution of the textile industry and its relationship to the restrictions then in effect. The TSB has received two periodic reports from Thailand (COM.TEX/SB/351 and 430). In its second report as well as in its reply under Article 11, Thailand has notified that polyester fibres and yarns, and nylon filament and stretched yarns which were under restraint since 31 October 1976, were no longer under import control since 24 February 1979. Other items subject to restrictions under the Import Control Decree (No. 9) B.E. 2496 (A.D. 1953) have been authorized by the Minister of Commerce to be imported freely.
Chapter 7: The TSB's report on variations from Annex B

267. Following the request made to it by the Textiles Committee in December 1979 (see Section 3 above), the TSB began its work on the question of variations from Annex B in January 1980. The TSB's report (COM.TEX/SB/576/Corr.1) was transmitted to the Textiles Committee on 27 June 1980, and was considered at the meeting of the Committee held on 8–9 July. Comments made in that meeting are noted in COM.TEX/17.

268. The TSB's report covered all agreements between participants, and amendments to agreements, notified to and reviewed by the TSB between 1 January 1978 and 1 June 1980. It was based on the contents of the bilateral agreements in question, as well as information relating to certain elements (particularly to roll-back levels or previous restraint levels used as a basis for the negotiation of restraints) which were not found in the agreement. This latter information was provided by participants in reply to a circular letter sent by the Chairman of the TSB in February 1980.

269. In considering the implementation of its mandate from the Textiles Committee, the TSB noted from the outset that the process involved in this task would not be the same as that followed by the Body in reviewing the Article 4 notifications submitted to it. In reviewing such notifications, the TSB examines each agreement on overall terms with respect to its conformity with the MFA as extended, rather than assessing separately the specific elements of such agreements in terms of the provisions of Annex alone. Thus, in presenting the information contained in the report, the TSB noted that it relates to elements which form only a part of such reviews; the TSB reaffirmed the findings, observations and recommendations made in the course of its normal review of notifications and subsequently reported to the Textiles Committee.

270. A number of conceptual problems were revealed during the TSB's discussion of the various aspects involved in its approach to this work. The TSB noted, inter alia, that most agreements notified during the period had been concluded under Article 4, and all elements related to these agreements should be considered together and not in isolation from one another. On the other hand, each element of Article 3 agreements should be compared individually with the relevant provisions of Annex B. It followed that a catalogue of variations depended on the standpoint taken, and might be drawn up either on the basis of Annex B, as such, without any reference to the other elements of the MFA or by taking Annex B in the light of the provisions of the MFA as a whole, and in particular of Article 4.

271. Such different approaches would lead to different definitions of what constitutes a variation. In these circumstances, the TSB felt that it would not be appropriate to adopt either of these approaches to the exclusion of the other. The TSB also noted that the definition of variations was further complicated by the existence of certain specific provisions in Annex B relating
to growth and swing at rates lower than the numerical levels set out in Annex B. Given these problems, the TSB felt that it would not be appropriate to attempt a clear-cut definition of what constituted a variation from Annex B.

272. The TSB therefore agreed that the best course of action would be for it to submit to the Committee a compilation of all the numerical levels or percentages contained in the agreements covered in the report with respect to base levels, growth, swing and carry-over/carry forward, be they higher, equal to or lower than those set out in Annex B. This information was given in the report in the form of tables, one for each bilateral agreement between MFA participants, accompanied by country notes on particular aspects of certain agreements as these related to particular aspects of Annex B. The TSB noted that the tables, when read in conjunction with the country notes, provided all the elements for a catalogue of variations from the provisions of Annex B.