1. The Textiles Surveillance Body held its fourteenth meeting of 1981 on 28 and 29 October.

2. The following members or alternates were present: Messrs. Bajwa, Beck/Scheele, Chau, Delgado, Hobson, Matsui, Safioen and Shepherd.

3. The draft report of the thirteenth meeting was approved and has been circulated as COM.TEX/SB/734.

4. The following subjects were discussed:

Draft annual report to the Textiles Committee

5. The TSB completed its consideration of its annual report to the Textiles Committee. This report has been circulated as COM.TEX/SB/742.

Article 4 agreements

(a) Finland/Sri Lanka

6. The TSB received a notification of a new Article 4 agreement between Finland and Sri Lanka, covering one product (shirts) and valid for the period 1 June 1981-31 May 1984. This agreement replaced a previous emergency action under Article 3:6 notified in June 1981 (COM.TEX/SB/710, paragraph 23).

7. The TSB observed that the first year level was set at 90,000 pieces, the second year level at 50,000 and the third year level at 70,000. This pattern was explained by the Finnish authorities as relating to the need to take account of contracts already concluded at the outset of the agreement by Sri Lanka exporters.

8. The TSB noted that, despite the unusual evolution of the levels of quotas, total access throughout the life of the agreement exceeded the levels set out in Annex B. It concluded that, on overall terms, the agreement was consistent with the Arrangement and agreed to transmit it to the Textiles Committee (COM.TEX/SB/735).
(b) Sweden/Malaysia

9. The TSB received a notification of a new Article 4 agreement between Sweden and Malaysia, valid for the period 1 July 1981 to 30 June 1983.

10. Product coverage was the same as in the previous agreement (see COM.TEX/SB/623). The TSB noted that growth in base levels over the previous agreement, and between the two agreement years, was provided for all categories. The rates of growth provided for were lower than the rate of not less than 6 per cent provided for in Annex B, and this was explained by the need to maintain minimum viable production in Sweden. Nevertheless, the growth rates in all cases were an improvement on those in the previous agreement.

11. The TSB also observed the absence of swing in this agreement and noted the statement by Sweden that this was a reflection of a mutual recognition of the minimum viable production principle. It recalled its previous observation that swing was one of the essential elements in bilateral agreements concluded under Articles 3 and 4.

12. In relation to carryover and carry forward, the TSB noted that the restriction on cumulative use of these provisions resulted in lower flexibility than that set out in Annex B.

13. With regard to the consultation provisions of Article 10 of the agreement, the TSB took note of the statement by Sweden that it would not apply the provisions of this Article outside the purview of the MFA, as long as the two parties to the agreement remain within the Arrangement.

14. The TSB took note that the agreement had been concluded on the basis of the MFA, particularly Articles 1:2 and 4 thereof, and the provisions of the Protocol of Extension.

15. Following its review, the TSB agreed to transmit this agreement to the Textiles Committee (COM.TEX/SB/736).

(c) EEC/Czechoslovakia

16. The TSB received a new Article 4 agreement between the EEC and Czechoslovakia signed in September 1981, and valid for the period 1 January 1981-31 December 1982. This agreement replaced previous unilateral restrictions maintained by individual Community member States. The TSB observed that the agreement had been concluded having regard to the provisions of the MFA and the Protocol of Extension and Conclusions adopted by the Textiles Committee on 14 December 1977.
17. The TSB took note that this agreement comprised restraints both at Community and at regional levels, and that the restraint levels for 1981 were established taking into account imports or restraints in calendar year 1980.

18. Growth rates for a large number of categories fell below those provided for in Annex B. The TSB took note of the statement by the EEC that this reflected the precarious market situation in the Community. The TSB also noted that swing was provided at less than 5 per cent for a number of categories, and that the restrictions on the cumulative flexibility provisions resulted in lower flexibility than that set out in Annex B.

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

20. Following its review, the TSB agreed to transmit this agreement to the Textiles Committee (COM.TEX/SB/737).

(d) Austria/India

21. The TSB received a notification from Austria of extension of its bilateral agreement with India for one year to 31 December 1982, under the provisions of Article 4 of the MFA as extended. The TSB agreed to transmit this extension to the Textiles Committee (COM.TEX/SB/738).

Notification under Articles 7 and 8

Sweden/Malta

22. The TSB received a notification under Articles 7 and 8 from Sweden, of a new bilateral agreement concluded with Malta, a non-participating country, valid for the period 1 July 1981 to 30 June 1983. The TSB took note of this notification and transmitted it to the Textiles Committee (COM.TEX/SB/740).