GENERAL AGREEMENT ON
TARIFFS AND TRADE

Textiles Surveillance Body

ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Notification under Article 11:4

Matter referred by India with respect to restraints introduced by the United States

Note by the Chairman

Attached is a notification received from India invoking Article 11:4 with respect to restraints introduced by the United States under the consultation provisions of the United States/India agreement on Categories 369-S (cotton shop towels), 641 (mmf blouses) and 642 (mmf skirts).

*English only/anglais seulement/Inglese solamente

86-2134
Dear Ambassador Raffaelli,

We have been keeping you informed regarding the issue of calls for consultations by the Government of U.S.A. to the Government of India in terms of paragraph 16 of the Agreement on Textiles and Textile Products between the Government of U.S.A. and the Government of India (hereinafter referred to as the Agreement). For facility of reference, I give below the details of these calls for consultations:

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
<th>Note dtd.</th>
</tr>
</thead>
<tbody>
<tr>
<td>641</td>
<td>Man-made fibre blouses</td>
<td>27.3.1986</td>
</tr>
<tr>
<td>369-S</td>
<td>Cotton shop towels</td>
<td>30.6.1986</td>
</tr>
<tr>
<td>642</td>
<td>Man-made fibre skirts</td>
<td>31.7.1986</td>
</tr>
</tbody>
</table>

The above notes requesting for consultations also contained requests to hold the levels of exports for these categories during the ninety day period immediately following the receipt of the requests for consultations to the formal limits as provided for in paragraph 16(D) of the Agreement.

2. The Government of India responded positively to the above requests for consultations in a spirit of goodwill and co-operation. Since, however, the factual statements which accompanied the requests did not contain adequate data and information in terms of Annex 'A' of the Arrangement regarding International Trade in Textile (The Arrangement) read with paragraph 8 of its Protocol of Extension of December 22, 1981 and also the provisions of the Agreement, formal requests were made to the US authorities to supply latest available relevant, specific, factual information before formal consultations could be held. However, certain essential information and data relevant for assessing the existence of market disruption or real risk thereof were not made available either before or even during formal consultations. It is the view of my Government that with the data available and provided to my Government, it could not have been possible to establish conclusively that a situation of market disruption or risk thereof existed on account of imports from India into U.S.A. in these categories. Moreover, there was no warrant to impose the 90-day limits on these categories.
3. Formal consultations were held in New Delhi on September 12-16, 1986 between the delegations of India and U.S.A. to discuss the calls on the above categories.

3.1 In the case of category 641 no production data was given for 1985 at the time of the call. However, during the consultations the US delegation produced the data for 1985 which was slightly lower than the production for 1984. The Indian delegation argued that in the absence of production data for 1985 at the time of issue of the call, the US could not have come to a conclusion of market disruption or threat thereof and hence the call was ab initio invalid. In this industry, US has witnessed a steady growth in production from 8.4 million dozens in 1972 to 13.73 million dozens in 1984. The share of India's imports in the US markets was only 1.18% in 1984. Further, there were many weaknesses and inadequacies in the price-data furnished by the US delegation as a result of which it could not be conclusively established that the products from India of comparable quality were offered at prices lower than the ones offered by the US producers. In addition, information on productivity, investment, turnover etc. was also not furnished. The Indian delegation, therefore, contended that there was no warrant for the US Government to propose restraints on this category.

3.2 In regard to category 642 also, the same inadequacy in production data as in the case of category 641 was in evidence. There was a steady growth in production from 3.5 million pieces in 1972 to 6.0 million pieces in 1984 under this category. India's share in the ACM in 1984 was only 1.32%. India's share in the total imports into the US in this category had in fact declined from 7.4% in 1984 to 6.97% for the year ending July 1986. Apart from want of sufficient details on many factors having a bearing on the state of health of the industry specific to this category, the price data for this category furnished by the US delegation also suffered from the weaknesses and inadequacies as in the case of category 641. The Indian delegation, therefore, concluded that a case of market disruption or risk thereof was not conclusively established by the US Government either at the time of the issue of the call or during the consultations.

3.3 As regards category 369-S, singling out a part of a category, viz. 369-S itself is questionable and inconsistent with Article 5 of the Arrangement read with paragraph 3(a) of the Agreement. The total imports for this category into US have been showing a declining trend. While the decline in such imports in 1985 was 12.2%, the decline for the year ending June 1986, it was as much as 37%. There could be no case of market disruption or threat thereof under such declining trend of imports. India's exports for this category to USA started from a very low base and picked up
only recently. Further, the US delegation was unable to provide the latest available fuller details on the factors enumerated in Annex 'A' to the Arrangement. The price data supplied by US suffered from the inadequacies mentioned above. There was, therefore, no justification for the US Government to impose restraints on this category as well.

3.4 The Indian delegation pointed out that the calls for garment categories under a situation of Group II limit had prevented our exporters to diversify. These calls have caused disruption of trade in India and have also caused considerable losses to the Indian exporters. The Indian delegation also pointed out that US Government has failed to take note of the special status of India under Art. 6 of the Arrangement read with para 12 of the Protocol of Extension. The Indian delegation contended that the US had not established market disruption or real risk thereof under the parameters laid down under the Arrangement and the Agreement and the role of India's imports in such a disruption if any. The Indian delegation therefore requested the US delegation to rescind the calls. The US delegation, however, did not agree to the request made by the Indian delegation. On 29 October 1986, the US Government had notified the establishment of pro-rated specific limits for these three categories through December 31, 1986.

4. In view of the foregoing developments, the Government of India would like to invoke the provisions of paragraph 4 of Art. 11 of the Arrangement and would request the TSB to promptly consider the restraint actions of the US Government on categories 641, 642 and 369-S.

Please accept, Mr. Ambassador, the assurances of my highest consideration.

(S.P. Shukla)
AMBASSADOR
PERMANENT REPRESENTATIVE OF INDIA TO GATT
GENEVA

Ambassador Marcelo Raffaelli
Chairman
Textiles Surveillance Body
GATT Secretariat
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