ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Notification under Article 4

Bilateral agreement between the EEC and Sri Lanka

Note by the Chairman

Attached is a notification received from the EEC of a bilateral agreement concluded with Sri Lanka for the period 1 January 1987 to 31 December 1991.¹

¹The previous bilateral agreement and an additional protocol to it are contained in COM.TEX/SB/927 and 1211.

*English only/Anglais seulement/Inglés solamente
Pursuant to Article 4:4 of the Arrangement as extended by the Protocol of 31 July 1986, I am notifying a new Agreement negotiated between the Democratic Socialist Republic of Sri Lanka and the European Community.

The Agreement was initially negotiated for four years and came into de facto application on 1 January 1987. Its duration was extended for a further period of one year, to match the duration of the extended Arrangement. While maintaining the same structure as its predecessor, the present Agreement contains a number of elements providing for improved access to the Community's market.

It covers the same products, now defined in 93 product-categories, as compared to 114 in the previous one. The present categorisation simplifies the classification system which applied under previous Agreements and is so defined as to allow a smooth transition to the Community Nomenclature based on the Harmonized System.

Re-exports are not subject to restraint, nor are handloom and cottage industry products, provided that such products meet the certification procedures and other conditions set out in Protocol B. If problems arise concerning unrestricted categories, the Community may (but is not obliged to) request consultations with a view to establishing a limit when certain trade levels have been exceeded: these levels have been raised to percentages representing 2.5 times the levels of the previous agreement.

In the present agreement, four Community-wide restraint limits have been agreed between the parties. The limits are based on the restraint levels of the last year of the previous agreement with substantial uplifts for all categories under restraint. Regional restraints which existed previously for two categories have been removed. Growth rates have been improved for all categories under restraint and now vary between 7% and 8%.

There is additional access for children clothing for two categories.
There are provisions for breaking down Community-wide limits into Member States' shares, with new possibilities for automatic reallocation by the exporting country of portions of such shares between Member States, up to certain percentages. The flexibility provisions have also been substantially improved, notably concerning carry-over, inter-category transfers and total cumulative flexibility.

The anti-circumvention clause negotiated previously has been maintained unaltered. As in the past, there is provision for the exchange of statistics, the management of problems which could arise in case of divergent opinions on classification and for the spacing out of exports. The administration of the Agreement is governed by Protocol A which is essentially modelled on its predecessor in the earlier Agreement.

As a major change, the Anti-Surge provision which under the previous agreement was applicable to Group I products has been replaced by a consultation clause.

In accordance with the special and differential treatment to be given to Outward Processing Goods (Art. 6(6)), the Agreement provides that re-imports of products after processing in Sri Lanka may be agreed outside the quantitative limits established under the Agreement under certain conditions. Such an additional quantity for Outward Processing Trade has been agreed for four categories.

In spite of the large scale of restructuring undertaken, and despite the temporarily improved competitiveness of EEC textiles and clothing industries resulting from the abnormal levels of some foreign exchange rates, the serious situation in European markets which existed during previous agreements has further deteriorated over recent years. There has been a further rise in market penetration which increased from 42% in 1983 to 45% in 1985: this was essentially attributable to the continued increase in extra-EC imports of MFA products (16% in 1986), together with stagnating production and consumption. Overall employment in the textile industries has further declined by 7% over the 4 years between 1982/1985.

Nevertheless, the EC has been able to increase access to the EC market for textile products originating from Sri Lanka by improving on several features of the Agreement as mentioned above. The EC has taken into account para.13 (b) of the MFA Protocol of Extension to provide for a more favourable treatment of Sri Lanka than that accorded to other groups of suppliers.

Copies of the Agreement and related documents are attached.

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

Sincerely yours,

P. MAZZOCCHI
AGREEMENT
BETWEEN THE EUROPEAN ECONOMIC COMMUNITY
AND
THE DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA
ON TRADE IN TEXTILE PRODUCTS

Initialed at Brussels on 31st May 1986
THE COUNCIL OF THE EUROPEAN COMMUNITIES,

of the one part, and

THE GOVERNMENT OF THE DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

of the other part,

DESIREING to promote, with a view to permanent co-operation and in conditions providing every security for trade, the orderly and equitable development of trade in textile products between the European Economic Community (hereinafter referred to as "the Community") and Sri Lanka.

RESOLVED to take the fullest possible account of the serious economic and social problems at present affecting the textile industry in both importing and exporting countries, and in particular, to eliminate real risks of market disruption on the market of the Community and real risks of disruption to the textile trade of Sri Lanka.

HAVING REGARD to the Arrangement regarding International Trade in Textiles (hereinafter referred to as "the Geneva Arrangement"), and in particular Article 4 thereof; and to the conditions set out in the Protocol extending the Arrangement.

HAVE DECIDED to conclude this Agreement and to this end have designated as their Plenipotentiaries:

THE COUNCIL OF THE EUROPEAN COMMUNITIES:

THE GOVERNMENT OF THE DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA:

WHO HAVE AGREED AS FOLLOWS:
SECTION I: TRADE ARRANGEMENTS

Article 1

1. The parties recognize and confirm that, subject to the provisions of this Agreement and without prejudice to their rights and obligations under the General Agreement on Tariffs and Trade, the conduct of their mutual trade in textile products shall be governed by the provisions of the Geneva Arrangement.

2. In respect of the products covered by this Agreement, the Community undertakes not to introduce quantitative restrictions under Article XIX of the General Agreement on Tariffs and Trade or Article 3 of the Geneva Arrangement.

3. Measures having equivalent effect to quantitative restrictions on the importation into the Community of the products covered by this Agreement shall be prohibited.
Article 2

1. This Agreement shall apply to trade in textile products of cotton, wool and man-made fibres originating in Sri Lanka which are listed in Annex I.

2. The classification of the products covered by this Agreement is based on the Nomenclature of the Common Customs Tariff and on the Nomenclature of Goods for the External Trade Statistics of the Community and the Statistics of Trade between Member States (NIMEXE).

From the entry into force of the International Convention on the Harmonised Commodity Description and Coding System (HS) this classification will be based on the Harmonized System and on the community nomenclatures derived from that system.

3. The origin of the products covered by this Agreement shall be determined in accordance with the rules in force in the Community.

Any amendment to these rules of origin shall be communicated to Sri Lanka and shall not have the effect of reducing any quantitative limit established in Annex II.

The procedures for control of the origin of the products referred to above are laid down in Protocol A.
Article 3

Sri Lanka agrees for each Agreement year to restrain its exports to the Community of the products described in Annex II to the limits set out therein.

Exports of textile products set out in Annex II shall be subject to a double-checking system specified in Protocol A.
Article 4

Sri Lanka and the Community recognize the special and differential character of re-imports of textile products into the Community after processing in Sri Lanka.

Provided that they are effected in accordance with the regulations on economic outward processing in force in the Community, these re-imports are not subject to the quantitative limits set out in Annex II when they are subject to the specific arrangements laid down in Protocol E.
Article 5

Exports of cottage industry fabrics woven on hand- or foot-operated looms, garments or other articles obtained manually from such fabrics and traditional folklore handicraft products shall not be subject to quantitative limits, provided that these products meet the conditions laid down in Protocol B.
Article 6

1. Imports into the Community of textile products covered by this Agreement shall not be subject to the quantitative limits established in Annex II, provided that they are declared to be for re-export outside the Community in the same state or after processing, within the framework of the administrative system of control which exists within the Community.

However, the release for home use of products imported under the conditions referred to above shall be subject to the production of an export certificate issued by the Sri Lankan authorities, and to proof of origin in accordance with the provisions of Protocol A.

2. Where the Community authorities have evidence that imports of textile products have been set off against a quantitative limit established under this Agreement, but that the products have subsequently been re-exported outside the Community, the authorities concerned shall inform the Sri Lankan authorities within four weeks of the quantities involved and authorize imports of identical quantities of the same products, which shall not be set off against the quantitative limit established under this Agreement for the current or the following year.
Article 7

1. In any Agreement year advance use of a portion of the quantitative limit established for the following Agreement year is authorised for each category of products up to 5% of the quantitative limit for the current Agreement year.

Amounts delivered in advance shall be deducted from the corresponding quantitative limits established for the following Agreement year.

2. Carryover to the corresponding quantitative limit for the following Agreement year of the amounts not used during any Agreement year is authorised for each category of products up to 9% of the quantitative limit for the current Agreement year.

3. Transfers in respect of categories in Group I shall not be made from any category except as follows:

- transfers between Categories 2 and 3 and from Category 1 to Categories 2 and 3 may be made up to 11% of the quantitative limits for the category to which the transfer is made.

- transfers between Categories 4, 5, 6, 7, and 8 may be made up to 11% of the quantitative limit for the category to which the transfer is made.

Transfers into any category in Groups II and III may be made from any category or categories in Groups I, II, and III up to 11% of the quantitative limit for the category to which the transfer is made.

4. The table of equivalence applicable to the transfers referred to above is given in Annex I to this Agreement.

5. The increase in any category of products resulting from the cumulative application of the provisions in paragraphs 1, 2 and 3 above during an Agreement year shall not exceed 17%.

Prior notification shall be given by the authorities of Sri Lanka in the event of recourse to the provisions of paragraphs 1, 2 and 3 above.
Article 8

1. Exports of textile products not listed in Annex II to this Agreement may be made subject to quantitative limits by Sri Lanka on the conditions laid down in the following paragraphs.

2. Where the Community finds, under the system of administrative control set up, that the level of imports of products in a given category not listed in Annex II originating in Sri Lanka exceeds, in relation to the preceding year's total imports into the Community from all sources of products in that category, the following rates:

   - 1.25 % for categories of products in Group I
   - 6.25 % for categories of products in Group II
   - 12.50 % for categories of products in Group III.

   It may request the opening of consultations in accordance with the procedure described in Article 16 of this Agreement, with a view to reaching agreement on an appropriate restraint level for the products in such category.

   The Community shall authorise the importation of products of the said category shipped from Sri Lanka before the date on which the request for consultations was submitted.

3. Pending a mutually satisfactory solution, Sri Lanka undertakes to limit exports of the products in the category concerned to the Community or to the regions of the Community market specified by the Community for a provisional period of 3 months from the date on which the request for consultations is made. Such provisional limit shall be established at 25% of the level of imports reached during the calendar year preceding that in which imports exceeded the level resulting from the application of the formula set out in paragraph 2, and gave rise to the request for consultation or 25% of the level resulting from the application of the formula set out in paragraph 2, whichever is the higher.
4. Should the Parties be unable in the course of consultations to reach a satisfactory solution within the period specified in Article 16 of the Agreement, the Community shall have the right to introduce a definitive quantitative limit at an annual level not lower than the level resulting from the application of the formula set out in paragraph 2, or 106% of the level of imports reached during the calendar year preceding that in which imports exceeded the level resulting from the application of the formula set out in paragraph 2 and gave rise to the request for consultations whichever is the higher.

The annual level so fixed shall be revised upwards after consultations in accordance with the procedure referred to in Article 16, with a view to fulfilling the conditions set out in paragraph 2, should the trend of total imports into the Community of the product in question make this necessary.

5. The limits introduced under paragraph 2 or paragraph 4 may in no case be lower than the level of imports of products in that category originating in Sri Lanka in 1985.

6. Quantitative limits may also be established by the Community on a regional basis in accordance with the provisions of Protocol C.

7. The annual growth rate for the quantitative limits introduced under this Article shall be determined in accordance with the provisions of Protocol D.

8. The provisions of this Article shall not apply where the percentages specified in paragraph 2 have been reached as a result of fall in total imports into the Community, and not as a result of an increase in exports or products originating in Sri Lanka.

9. In the event of the provisions of paragraph 2, 3 or 4 being applied, Sri Lanka undertakes to issue export licences for products covered by contracts concluded before the introduction of the quantitative limit, up to the volume of the quantitative limit fixed.
10. Up to the date of communication of the statistics referred to in Article 9 paragraph 6, the provisions of paragraph 2 of this Article shall apply on the basis of the annual statistics previously communicated by the Community.

11. The provisions of this Agreement which concern exports of products subject to the quantitative limits established in Annex II shall also apply to products for which quantitative limits are introduced under this Article.
Article 9

1. Sri Lanka undertakes to supply the Community with precise statistical information on all export licences issued by the Sri Lanka authorities for all categories of textile products subject to the quantitative limits established under this Agreement as well as on all certificates issued by the Sri Lanka authorities for all products referred to in Article 5 and subject to the provisions of Protocol B.

The Community shall likewise transmit to the Sri Lanka authorities precise statistical information on import authorizations or documents issued by the Community authorities in respect of export licences and certificates issued by Sri Lanka.

2. The information referred to in paragraph 1 shall, for all categories of products, be transmitted before the end of the second month following the quarter to which the statistics relate.

3. Sri Lanka also undertakes to supply the Community with available statistical information on all textile exports by country of destination.

The Community shall transmit to the Sri Lanka authorities import statistics for all products covered by the system of administrative control referred to in Article 8, Paragraph 2 and for products covered by Article 6 Paragraph 1.

4. The information referred to in paragraph 3 shall, for all categories of products, be transmitted before the end of the third month following the quarter to which the statistics relate.

5. Should it be found on analysis of the information exchanged that there are significant discrepancies between the returns for exports and those for imports, consultations may be initiated in accordance with the procedure specified in Article 16 of this Agreement.

6. For the purpose of applying the provisions of Article 8, the Community undertakes to provide the Sri Lankan authorities before 15 April of each year with the preceding year's statistics on imports of all textile products covered by this Agreement, broken down by supplying country and Community Member State.
Article 10

1. In case of divergent opinions between Sri Lanka and the competent Community authorities at the point of entry into the Community on the classification of products covered by the present Agreement, classification shall provisionally be based on indications provided by the Community, pending consultations in accordance with Article 16 with a view to reaching agreement on definitive classification of the product concerned.

2. The authorities of Sri Lanka shall be informed of any amendment to the tariff and statistical nomenclatures in force in the Community or any decision, made in accordance with the procedures in force in the Community, relating to the classification of products covered by this Agreement.

Any amendment to the tariff and statistical nomenclatures in force in the Community or any decision which results in a modification of the classification of products covered by this Agreement shall not have the effect of reducing any quantitative limit established in Annex II.

The procedures for the application of this paragraph are set out in Protocol A.
Article 11

1. Sri Lanka and the Community agree to cooperate fully in preventing the circumvention of the present Agreement by transshipment, rerouting or whatever other means.

2. Where information available to the Community as a result of the investigations carried out in accordance with the procedures set out in Protocol A constitutes evidence that products of Sri Lanka origin subject to quantitative limits established under this Agreement have been transhipped, rerouted or otherwise imported into the Community in circumvention of this Agreement, the Community may request the opening of consultations in accordance with the procedures described in Article 16 of this Agreement, with a view to reaching agreement on an equivalent adjustment of the corresponding quantitative limits established under the Agreement.

3. Pending the result of the consultations referred to in paragraph 2, Sri Lanka shall on a precautionary measure, if so requested by the Community make the necessary arrangements to ensure that adjustments of quantitative limits liable to be agreed following the consultations referred to in paragraph 2, may be carried out for the quota year in which the request to open consultations in accordance with paragraph 2 was made, or for the following year if the quota for the current year is exhausted, where clear evidence of circumvention is provided.

4. Should the parties be unable in the course of consultations to reach a satisfactory solution within the period specified in Article 16 of the Agreement, the Community shall have the right, where clear evidence of circumvention has been provided, to deduct from the quantitative limits established under this Agreement amounts equivalent to the products of Sri Lanka origin.
Article 12

1. Sri Lanka shall endeavour to ensure that exports of textile products subject to quantitative limits are spaced out as evenly as possible over an agreement year, due account being taken, in particular, of seasonal factors.

2. Should there be an excessive concentration of imports on any product within a category subject to quantitative limits under this Agreement, the Community may request consultations in accordance with the procedure specified in Article 16 of this Agreement with a view to remedying this situation.
Article 13

Should recourse be had to the denunciation provisions of Article 18 paragraph 4, the quantitative limits established in Annex II shall be adapted on a pro rata basis.
Article 14

1. For the purpose of the administration of this Agreement, the limits referred to in Article 3 are broken down by the Community into shares for each of its Member States.

2. Portions of the quantitative limits established in Annex II not used in one Member State of the Community may be reallocated to another Member State in accordance with the procedures in force in the Community.

The Community undertakes to examine with care and reply within four weeks to any request made for reallocation by Sri Lanka. In the event of agreement on such reallocation, the flexibility provisions set out in Article 7 shall continue to be applicable to the levels of the original allocation.

If, in the course of the application of the Agreement, Sri Lanka finds that the break-down of a limit established in Annex II causes particular difficulties, it may request the opening of consultations in accordance with the provisions of Article 16 with a view to reaching a mutually satisfactory solution.

3. After the first of June of each year of application of the Agreement, Sri Lanka may transfer, subject to prior notification to the Community, the unused quantities of the regional quota-shares of a Community quantitative limit, set out in Annex II, to the quota-shares of the same limit of other regions of the Community provided that the regional quota-share from which the transfer is made is utilised by less than 60%, and up to the amount of the following percentages of the quota-share to which the transfer is made:

2% in the first year of the application of the Agreement
4% in the second year of the application of the Agreement
8% in the third year of the application of the Agreement
12% in the fourth year of the application of the Agreement

4. Should it appear in any given region of the Community that additional supplies are required, the Community may, where measures taken pursuant to paragraph 1 are inadequate to cover those requirements, authorize the importation of amounts greater than those stipulated in Annex II.
Article 15

1. Sri Lanka and the Community undertake to refrain from discrimination in the allocation of export licences and import authorizations or documents referred to in Protocols A and B.

2. In implementing this Agreement, the Contracting Parties shall take care to maintain the traditional commercial practices and trade flows between the Community and Sri Lanka.

3. Should either Party find that the application of this Agreement is disturbing existing commercial relations between importers in the Community and suppliers in Sri Lanka consultations shall be started promptly, in accordance with the procedure specified in Article 16 of this Agreement, with a view to remedying this situation.
Article 16

1. The special consultation procedures referred to in this Agreement shall be governed by the following rules:

- any request for consultations shall be notified in writing to the other;

- the request for consultations shall be followed within a reasonable period (and in any case not later than fifteen days following the notification) by a statement setting out the reasons and circumstances which, in the opinion of the requesting Party, justify the submission of such a request;

- the Parties shall enter into consultations within one month at the latest of notification of the request, with a view to reaching agreement or a mutually acceptable conclusion within one further month at the latest.

2. The Community may request consultations in accordance with paragraph 1 when it ascertains that during a particular year of application of the Agreement difficulties arise in the Community or one of its regions from a sudden and substantial increase, by comparison to the preceding year, in imports of a given category of Group I subject to the quantitative limits set out in Annex II.

3. If necessary, at the request of either of the Parties and in conformity with the provisions of the Geneva Arrangement, consultations shall be held on any problems arising from the application of this Agreement. Any consultations held under this Article shall be approached by both Parties in a spirit of co-operation and with a desire to reconcile the difference between them.
Article 17

This Agreement shall apply to the territories within which the Treaty establishing the European Economic Community is applied and under the conditions laid down in that Treaty on the one hand, and to the territory of Sri Lanka on the other hand.
Article 18

1. This Agreement shall enter into force on the first day of the month following the date of its signature. It shall be applicable until 31 December 1990.

2. This Agreement shall apply with effect from 1 January 1987.

3. Either Party may at any time propose modifications to the Agreement.

4. Either Party may at any time denounce this Agreement provided that at least ninety days' notice is given. In that event, the Agreement shall come to an end on the expiry of the period of notice.

5. The Annexes, Protocols, Agreed Minutes, the Joint Declaration and the Memorandum of Understanding to this Agreement shall form an integral part thereof.
Article 19

This Agreement shall be drawn up in two copies in the Danish, Dutch, English, French, German, Greek, Italian, Portuguese, Spanish and Sinhala languages, each of these texts being equally authentic.
For practical reasons the product descriptions used in Annex I are given in the present Annex in abbreviated form.

### Community Limits

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<th>Category</th>
<th>Description</th>
<th>Units</th>
<th>Year</th>
<th>Quantitative limits EEC</th>
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<td>Men's and Women's woven trousers and men's shorts and breeches</td>
<td>1,000 pieces</td>
<td>1987</td>
<td>2,900</td>
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<td></td>
<td></td>
<td></td>
<td>1988</td>
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<td></td>
<td></td>
<td></td>
<td>1990</td>
<td>3,553</td>
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<td>7</td>
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<td>1,000 pieces</td>
<td>1987</td>
<td>4,000</td>
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<td></td>
<td></td>
<td></td>
<td>1988</td>
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<td></td>
<td></td>
<td>1990</td>
<td>4,900</td>
</tr>
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<td>8</td>
<td>Men's woven shirts</td>
<td>1,000 pieces</td>
<td>1987</td>
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<tr>
<td></td>
<td></td>
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<td>1990</td>
<td>5,206</td>
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<td>21(1)</td>
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<td>1,000 pieces</td>
<td>1987</td>
<td>3,000</td>
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<td></td>
<td></td>
<td></td>
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<td></td>
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<td>1990</td>
<td>3,780</td>
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</table>

(1) For the purpose of setting off exports against the agreed quantitative limits a conversion rate of 5 garments (other than babies' garments) of a maximum commercial size of 130cm, for 3 garments whose commercial size exceeds 130cm may be applied for up to 5% of the quantitative limits.
PROTOCOL A

TITLE I
CLASSIFICATION

Article 1

1. The competent authorities of the Community undertake to inform Sri Lanka of any changes in the tariff and statistical nomenclatures before the date of their entry into effect in the Community.

2. The competent authorities of the Community undertake to inform Sri Lanka of any decisions relating to the classification of products subject to the Agreement within one month of their adoption at the latest. Such communication shall include:

   a) a description of the products concerned;

   b) the relevant category and the related tariff and statistical references;

   c) the reasons which have led to the decision.

3. Where a decision on classification results in a change of classification practice or a change of category of any product subject to the Agreement, the competent authorities of the Community shall provide 30 days' notice, from the date of the Community's communication, before the decision is put into effect. Products shipped before the date of application of the decision shall remain subject to the earlier classification practice, provided that the goods in question are presented for importation into the Community within 60 days of that date.

4. Where a Community decision on classification resulting in a change of classification practice or a change of categorization of any product subject to the Agreement affects a category subject to restraint, the two parties agree to enter into consultations in accordance with the procedures described in Article 16(1) of the Agreement with a view to honouring the obligation under the second subparagraph of Article 10(2) of the Agreement.
TITLE II

ORIGIN

Article 2

1. Products originating in Sri Lanka for export to the Community in accordance with the arrangements established by this Agreement shall be accompanied by a certificate of Sri Lanka origin conforming to the model annexed to this Protocol.

2. The certificate of origin shall be issued by the competent governmental authorities of Sri Lanka if the products in question can be considered products originating in that country within the meaning of the relevant rules in force in the Community.

3. However, the products in Group III may be imported into the Community in accordance with the arrangements established by this Agreement on production of a declaration by the exporter on the invoice or other commercial document relating to the products to the effect that the products in question originate in Sri Lanka within the meaning of the relevant rules in force in the Community.

4. The certificate of origin referred to in paragraph 1 shall not be required for import of goods covered by a certificate of origin Form A or Form APR completed in accordance with the relevant Community rules in order to qualify for generalized tariff preferences.
Article 3

The certificate of origin shall be issued only on application having been made in writing by the exporter or, under the exporter's responsibility, by his authorized representative. The competent governmental authorities of Sri Lanka shall ensure that the certificate of origin is properly completed and for this purpose they shall call for any necessary documentary evidence or carry out any check which they consider appropriate.
Article 4

Where different criteria for determining origin are laid down for products falling within the same category, certificates or declarations of origin shall contain a sufficiently detailed description of the goods to enable the criterion to be determined on the basis of which the certificate was issued or the declaration drawn up.
The discovery of slight discrepancies between the statements made in the certificate of origin and those made in the documents produced to the customs office for the purpose of carrying out the formalities for importing the product shall not ipso facto cast doubt upon the statements in the certificate.
TITLE III

DOUBLE CHECKING SYSTEM
FOR CATEGORIES OF PRODUCTS
WITH QUANTITATIVE LIMITS

Section I

Exportation

Article 6

The competent authorities of Sri Lanka shall issue an export licence in respect of all consignments from Sri Lanka of textile products referred to in Annex II, up to the relevant quantitative limits as may be modified by Articles 7, 13 and 14 of the Agreement and of textile products subject to any definitive or provisional quantitative limits established as a result of the application of Article 8 of the Agreement.
Article 7

1. The export licence shall conform to the model annexed to this Protocol. It must certify inter alia that the quantity of the product in question has been set off against the quantitative limit prescribed for the category of the product in question.

2. Each export licence shall only cover one of the categories of products listed in Annex II of this Agreement. It may be used for one or more consignments of the products in question.

3. Where the conversion rate provided for in Annex II is applied the following note must be inserted in box 9 of the export licence: "conversion rate for garments of a commercial size not exceeding 130cm is to be applied".
Article 8

The competent Community authorities must be notified forthwith of the withdrawal or alteration of any export licence already issued.
Article 9

1. Exports shall be set off against the quantitative limits established for the year in which shipment of the goods has been effected, even if the export certificate is issued after such shipment.

2. For the purpose of applying paragraph 1, shipment of the goods is considered to have taken place on the date of their loading on to the exporting aircraft, vehicle or vessel.
Article 10

The presentation of an export licence, in application of Article 12 below, shall be effected not later than 31 March of the year following that in which the goods covered by the licence have been shipped.
Section II

Importation

Article 11

Importation into the Community of textile products subject to quantitative limits shall be subject to the presentation of an import authorization or document.
Article 12

1. The competent Community authorities shall issue such import authori-
   zation or document automatically within five working days of the pre-
   sentation by the importer of the original of the corresponding export
   licence.

   The import authorization or document shall be valid for six months.

2. The competent Community authorities shall cancel the already issued
   import authorization or document if the corresponding export licence
   has been withdrawn.

   However, if the competent Community authorities have not been notified
   about the withdrawal or cancellation of the export licence until after
   the products have been imported into the Community, the quantities
   involved shall be set off against the quantitative limit for the cate-
   gory and the quota year in question.
Article 13

1. If the competent Community authorities find that the total quantities covered by export certificates issued by Sri Lanka for a particular category in any Agreement year exceed the quantitative limit established in Annex II for that category, as may be modified by Articles 7, 13 and 14 of the Agreement, or any definitive or provisional limit established under Article 8 of the Agreement, the said authorities may suspend the further issue of import authorizations or documents. In this event, the competent Community authorities shall immediately inform the authorities of Sri Lanka and the special consultation procedure set out in Article 16 of the Agreement shall be initiated forthwith.

2. Exports of Sri Lanka origin not covered by Sri Lanka export licences issued in accordance with the provisions of this Protocol may be refused the issue of import authorizations or documents by the competent Community authorities.

However, if the import of such products are allowed into the Community by the competent Community authorities, the quantities involved shall not be set off against the appropriate quantitative limits set out in Annex II or established as a result of the application of Article 8 of the Agreement, without the express agreement of Sri Lanka save as provided for in Article 11 of the Agreement.
Article 14

1. The export licence and the certificate of origin may comprise additional copies duly indicated as such. They shall be made out in English or French. If they are completed by hand, entries must be ink and in printscript.

These documents shall measure 210 x 297 mm. The paper used must be white writing paper, sized, not containing mechanical pulp and weighing not less than 25 g/m². Each part shall have a printed guilloche-pattern background making any falsification by mechanical or chemical means apparent to the eye.

If the documents have several copies only the top copy which is the original shall be printed with the guilloche-pattern background. This copy shall be clearly marked as "original" and the other copies as "copies". Only the original shall be accepted by the competent authorities in the Community as being valid for the purposes of export to the Community in accordance with the arrangements established by this Agreement.

2. Each document shall bear a standardized serial number, whether or not printed, by which it can be identified.

This number shall be composed of the following elements:

- a number indicating the quota year;
- numbers running from 00001 to 99999 allocated to the country of destination
- the numbering system shall also indicate the country of destination (in box 7 of the export licence), country of exportation and issuing office.
Article 15

The export licence and certificate of origin may be issued after the shipment of the products to which they relate. In such cases they shall bear either the endorsement "délivré a posteriori" or the endorsement "Issued retrospectively".
Article 16

1. In the event of theft, loss or destruction of an export licence or a certificate of origin, the exporter may apply to the competent governmental authority which issued the document for a duplicate to be made out on the basis of the export documents in his possession. The duplicate of any such certificate or licence so issued shall bear the endorsement "duplicata".

2. The duplicate must bear the date of the original export licence or certificate of origin.
TITLE V

ADMINISTRATIVE COOPERATION

Article 17

The Community and Sri Lanka shall cooperate closely to implement the provisions of this Agreement. To this end, contacts and exchanges of views (including on technical matters) shall be facilitated by both parties.
Article 18

In order to ensure the proper application of this Agreement, the Community and Sri Lanka shall assist each other in checking the authenticity and accuracy of export licences and certificates of origin issued or declarations made under this Protocol.
Article 19

Sri Lanka shall send the Commission of the European Communities the names and addresses of the governmental authorities competent for the issue and verification of export licences and certificates of origin together with specimens of the stamps used by these authorities. Sri Lanka shall also notify the Commission of any change in this information.
Article 20

1. Subsequent verification of certificates of origin or export licences shall be carried out at random, or whenever the competent Community authorities have reasonable doubt as to the authenticity of the certificate or licence or as to accuracy of the information regarding the products in question.

2. In such cases the competent authorities in the Community shall return the certificate of origin or export licence or a copy thereof to the competent governmental authority in Sri Lanka giving, where appropriate, the reasons of form or substance for an enquiry. If the invoice has been submitted, such invoice or a copy thereof shall be attached to the certificate or licence or its copy. The authorities shall also forward any information that has been obtained suggesting that the particulars given on the said certificate or licence are inaccurate.

3. The provisions of paragraph 1 above shall be applicable to subsequent verifications of the declarations of origin referred to in Article 2 of this Protocol.

4. The results of the subsequent verifications carried out in accordance with paragraphs 1 and 2 above shall be communicated to the competent authorities of the Community within three months at the latest. The information communicated shall indicate whether the disputed certificate or licence or declaration applies to the goods actually exported and whether these goods are eligible for export in accordance with the arrangements established by this Agreement. The information shall also include, at the request of the Community, copies of all documentation necessary to determine the facts fully and in particular the true origin of the goods.

Should such verifications reveal systematic irregularities in the use of declarations of origin, the Community may subject imports of the products in question to the provisions of Article 2 paragraph 1 of this Protocol.
5. For the purpose of subsequent verification of certificates of origin, copies of the certificates as well as any export documents referring to them shall be kept for a period of at least three years by the competent governmental authority in Sri Lanka.

6. Recourse to the random verification procedure specified in this Article must not constitute an obstacle to the release for home use of the products in question.
Article 21

1. Where the verification procedure referred to in Article 20 or where information available to the Community or to Sri Lanka indicates or appears to indicate that the provisions of this Agreement are being contravened, both parties shall cooperate closely and with appropriate urgency to prevent such contravention.

2. To this end Sri Lanka shall on its own initiative or at the request of the Community, carry out appropriate enquiries or arrange for such enquiries to be carried out concerning operations which are or which appear to the Community to be in contravention of this Agreement. Sri Lanka shall communicate the results of these enquiries to the Community together with any other pertinent information enabling the true origin of the goods to be determined.

3. Subject to agreement between the Community and Sri Lanka officials designated by the Community may be present at the enquiries referred to above.

4. In pursuance of the cooperation referred to above, Sri Lanka and the Community shall exchange any information considered by either party to be of use in preventing the contravention of the provisions of this Agreement. These exchanges may include information on textile production in Sri Lanka and on trade in textile products of a kind covered by this Agreement between Sri Lanka and other countries, particularly where the Community has reasonable grounds to consider that the products in question may be in transit across the territory of Sri Lanka prior to their importation into the Community. This information shall include at the request of the Community copies of all relevant documentation.

5. Where it is established that the provisions of this Agreement have been contravened, Sri Lanka and the Community may agree to take such measures as are necessary to prevent a recurrence of such contravention.
<table>
<thead>
<tr>
<th>Original</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 Quota year</td>
<td>4 Category number</td>
</tr>
<tr>
<td>Année contingente</td>
<td>Numéro de catégorie</td>
</tr>
</tbody>
</table>

| Consignee (name, full address, country) | Destinataire (nom, adresse complète, pays) |

| Certificate of Origin | CERTIFICAT D'ORIGINE |
| (Textile products) | (Produits textiles) |

| Country of origin | Pays d'origine |
| Country of destination | Pays de destination |

| Place and date of shipment | Means of transport |
| Lieu et date d'embarquement | Moyen de transport |

| Supplementary details | Données supplémentaires |

| Marks and numbers | Number and kind of packages | DESCRIPTION OF GOODS |
| Marques et numéros | Nom de nature des couv | DÉSIGNATION DES MARCHANDISES |

| Quantity (\(\times\)) | 12 FOB value (\(\times\)) |
| Quantité (\(\times\)) | Valeur FOB (\(\times\)) |

13 Certification by the Competent Authority - Visa de l'Autorité Compétente

Je soussigné certifie que les marchandises désignées ci-dessus sont originaires du pays figurant dans la case 6, conformément aux dispositions en vigueur dans la Communauté économique européenne.

14 Competent authority (name, full address, country) - Autorité compétente (nom, adresse complète, pays)

(Signature) - (Stamp - Cachet)
<table>
<thead>
<tr>
<th>1 Exporter (name, full address, country)</th>
<th>2 No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exportateur (nom, adresse complète, pays)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>5 Consignee (name, full address, country)</th>
<th>6 Place and date of shipment - Means of transport</th>
</tr>
</thead>
<tbody>
<tr>
<td>Destinataire (nom, adresse complète, pays)</td>
<td>Lieu et date d'embarquement - Moyen de transport</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>7 Country of destination</th>
<th>8 Supplementary details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pays de destination</td>
<td>Données supplémentaires</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>9 Supplementary details</th>
<th>10 Marks and numbers - Number and kind of packages - DESCRIPTION OF GOODS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Marques et numéros - Nombre et nature des coûts - DÉSIGNATION DES MARCHANDISES</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>11 Quantity (')</th>
<th>12 FOB value ('')</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quantité (')</td>
<td>Valeur fob (')</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>13 CERTIFICATION BY THE COMPETENT AUTHORITY - VISA DE L'AUTORITÉ COMPÉTENTE</th>
</tr>
</thead>
<tbody>
<tr>
<td>I, the undersigned, certify that the goods described above have been charged against the qualitative limit established for the year shown in box 3 in respect of the category shown in box 4 by the provisions regulating trade in textile products with the European Economic Community</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>14 Competent authority (name, full address, country)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Autorité compétente (nom, adresse complète, pays)</td>
</tr>
<tr>
<td>At - A on - le</td>
</tr>
</tbody>
</table>

(Signature)  (Stamp - Cachet)
PROTOCOL B

1. The exemption provided for in Article 5 of the Agreement in respect of cottage industry products shall apply only to the following products:

(a) fabrics woven on hand- or foot-operated looms, being fabrics of a kind traditionally made in the cottage industry of Sri Lanka;

(b) garments or other textile articles of a kind traditionally made in the cottage industry of Sri Lanka obtained manually from the fabrics referred to above and sewn exclusively by hand without the aid of any machine;

(c) traditional folklore textile products of Sri Lanka made by hand in the cottage industry of Sri Lanka as defined in a list to be agreed between both parties and annexed to this Protocol.

Exemption shall be granted only for products accompanied by a certificate issued by the competent Sri Lankan authorities in accordance with the specimen annexed to this Protocol. Such certificates shall state the ground on which exemption is based and shall be accepted by the competent Community authorities provided that they are satisfied that the products concerned conform to the conditions set out in this Protocol. Certificates covering the products referred to in para (c) above shall bear a conspicuous stamp: "FOLKLORE". In case of divergent opinion between Sri Lanka and the competent Community authorities at the point of entry into the Community as to the nature of such products, consultations shall be held within one month with a view to resolving such divergences. Should imports of any of the above products reach such proportions as to cause difficulties to the Community, the two Parties shall open consultations forthwith in accordance with the procedure laid down in Article 16 of the Agreement with a view to finding a quantitative solution to the problem.

2. The provisions of Title IV and V of Protocol A shall apply "mutatis mutandi" to the products referred to in paragraph 1.
Annex to Protocol B

<table>
<thead>
<tr>
<th>No</th>
<th>ORIGINAL</th>
<th>2 No</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Exporter (name, full address, country)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Exportateur (nom adresse complète, pays)</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Consignee (name, full address, country)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Destinataire (nom adresse complète pays)</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Place and date of shipment — Means of transport</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Lieu et date d'embarquement — Moyen de transport</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Marks and numbers — Names and kind of packages — DESCRIPTION OF GOODS</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Marques et numéros — Nombre et nature des colis — DÉSIGNATION DES MARCHE</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>CERTIFICATION BY THE COMPETENT AUTHORITY — VISA DE L'AUTORITÉ COMPÉTENTE</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Je soussigné certifie que l'envoi décrit ci-dessus contient exclusivement les produits textiles suivants relevant de la fabrication artisanale du pays figurant dans la case 4 :</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Competent authority (name, full address, country)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Autorité compétente (nom adresse complète, pays)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>4 Country of origin</th>
<th>Pays d'origine</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 Country of destination</td>
<td>Pays de destination</td>
</tr>
<tr>
<td>7 Supplementary details</td>
<td>Données supplémentaires</td>
</tr>
<tr>
<td>9 Quantity</td>
<td>Quantité</td>
</tr>
<tr>
<td>10 FOB value (€)</td>
<td>Valeur fob (€)</td>
</tr>
</tbody>
</table>
Under Article 8(6) of the Agreement, a quantitative limit may be fixed on a regional basis where imports of a given product into any region of the Community in relation to the amounts determined in accordance with paragraph 2 of the said Article 8 exceed the following regional percentage:

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>25.5 %</td>
</tr>
<tr>
<td>Benelux</td>
<td>9.5 %</td>
</tr>
<tr>
<td>France</td>
<td>16.5 %</td>
</tr>
<tr>
<td>Italy</td>
<td>13.5 %</td>
</tr>
<tr>
<td>Denmark</td>
<td>2.7 %</td>
</tr>
<tr>
<td>Ireland</td>
<td>0.2 %</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>21.0 %</td>
</tr>
<tr>
<td>Greece</td>
<td>1.5 %</td>
</tr>
<tr>
<td>Spain</td>
<td>7.5 %</td>
</tr>
<tr>
<td>Portugal</td>
<td>1.5 %</td>
</tr>
</tbody>
</table>
The annual growth rate for the quantitative limits introduced under Article 8 of the Agreement shall be determined as follows:

for products in categories falling within Group I, II, III, the growth rate shall be fixed by Agreement between the Parties in accordance with the consultation procedure established in Article 16 of the Agreement. Such growth rate may in no case be lower than the highest rate applied to corresponding products under bilateral agreements concluded under the Geneva Arrangement between the Community and other third countries having a level of trade equal to or comparable with that of Sri Lanka.
Reimports in the sense of Article 4 paragraph 2 of this Agreement into the Community of products listed in the Annex to this Protocol shall be subject to the provisions of the Agreement except as specifically provided for by the particular provisions set out below:

1. Only reimports into the Community subject to the specific quantitative limits set out in the annex to this Protocol, as may be modified by the application of paragraphs 2 and 3 shall be considered reimports in the sense of Article 4, Paragraph 2.

2. Reimports not covered by the annex may be submitted to specific quantitative limits following consultations in accordance with the procedures set out in Article 16 of the Agreement, provided the products concerned are subject to the quantitative limits established under Annex II to the Agreement.

3. The Community may, at its own discretion, and bearing in mind the interest of both parties, or in the framework of a request set out in Article 16 of the Agreement:

   (a) examine the possibilities of transfers between categories and advance use or carry-over of portions of specific quantitative limits from one year to another;

   (b) consider the scope for reallocating portions of any specific quantitative limits not used in one region of the Community to another region.

4. However the Community may automatically carry out the flexibilities in the sense of paragraph 3 up to the following extent:


(a) transfer between categories up to 20% of the share established for the category to which the transfer is made.

(b) carryover of specific quantitative limits from one year to another up to 13.5% of the share for the year of actual utilisation.

(c) advance use of specific quantitative limits from one year to another up to 7.5% of the share for the year of actual utilisation.

5. The Community shall inform Sri Lanka of any measures taken pursuant to the preceding paragraphs.

6. Debiting against a specific quantitative limit referred to in Paragraph 1 shall be carried out by the competent authorities of the Community at the time of issuing the prior authorization provided for by the Community regulation on economic outward processing (Regulation 636/82). A specific quantitative limit shall be debited for the year in which a prior authorization is issued.

7. A certificate of origin shall be issued for all products covered by the present Protocol by Sri Lanka in accordance with the provisions of Protocol A of the Agreement, bearing a reference to the prior authorization referred to in Paragraph 6 as evidence that the processing operation described in the prior authorization has been carried out in Sri Lanka.
8. The Community shall provide Sri Lanka with the names, addresses and the specimens of stamps used by the competent authorities of the Community for the issue of the prior authorizations referred to in paragraph 6.

9. Notwithstanding the provisions of paragraphs 1 to 8 above Sri Lanka and the Community will continue to consult together to seek a mutually acceptable means to enable both parties to take advantage of the OPT provisions in the Agreement with a view to effective development of trade in textiles between Sri Lanka and the Community.
### Annex to Protocol E

#### OFT Quantitative Limits

For practical reasons the product descriptions used in Annex I are given in the present Annex in abbreviated form.

### Community Limits

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
<th>Units</th>
<th>Year</th>
<th>Quantitative limits EEC</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>Men's and Women's woven trousers and men's shorts and breeches</td>
<td>1,000 pieces</td>
<td>1987</td>
<td>750</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1988</td>
<td>829</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1989</td>
<td>916</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1990</td>
<td>1,012</td>
</tr>
<tr>
<td>7</td>
<td>Women's woven and knitted blouses</td>
<td>1,000 pieces</td>
<td>1987</td>
<td>550</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1988</td>
<td>608</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1989</td>
<td>672</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1990</td>
<td>742</td>
</tr>
<tr>
<td>8</td>
<td>Men's woven shirts</td>
<td>1,000 pieces</td>
<td>1987</td>
<td>500</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1988</td>
<td>552</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1989</td>
<td>610</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1990</td>
<td>675</td>
</tr>
<tr>
<td>21</td>
<td>Parkas, anoraks, windcheaters and the like, woven</td>
<td>1,000</td>
<td>1987</td>
<td>550</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1988</td>
<td>616</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1989</td>
<td>690</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1990</td>
<td>773</td>
</tr>
</tbody>
</table>
The Community and Sri Lanka agree that if the Multifibre Arrangement is extended for a period going beyond 31 December 1990 then the present Agreement will be automatically prolonged for a further period of one year up to 31 December 1991 in accordance with the economic and technical terms of the existing Agreement, with the adaptations strictly necessary for the application of the Agreement for the fifth year.