

GENERAL AGREEMENT ON TARIFFS AND TRADE

CONFIDENTIAL
TEX.SB/1080*
21 February 1985

Textiles Surveillance Body

ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Report on matter examined under Article 11:4

China/United States

Note by the Chairman

Attached is a report received from China on the consultations held between China and the United States, in accordance with the TSB's recommendations made in November 1984.

¹ See COM.TEX/SB/1006, TSB's report of its eighteenth meeting (1984)

* English only/Anglais seulement/Inglés solamente

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595

**MISSION PERMANENTE DE LA REPUBLIQUE POPULAIRE DE CHINE
AUPRES DE L'OFFICE DES NATIONS UNIES A GENEVE
ET DES AUTRES ORGANISATIONS INTERNATIONALES EN SUISSE**

G/85/09

Geneva, 14 February, 1985

Dear Mr. Chairman,

On November 21, 1984, the Textiles Surveillance Body issued its report and recommendations regarding its review of actions taken by the United States on eight categories (313, 317, 410, 436, 442, 444, 637 and 649), under paragraph 8 of the China/United States bilateral agreement. In that report, the TSB decided that the parties should report back no later than February 15, 1985, regarding results of consultations on categories 313, 317, 410 and 444. This letter is being submitted in response to the TSB's request.

In the period of January 7-13, 1985, China and United States held bilateral consultations in Washington D.C. which included discussions regarding categories subject to the TSB's review which continued to remain under U.S. restraints. Those consultations ended without agreement being reached with respect to any of the categories subject to the TSB's recommendations, and no future consultations have been scheduled with respect to these categories, for the United States has made no response to China's proposal that further consultations be held as soon as possible.

The Honorable Marcello Raffaelli
Chairman
Textiles Surveillance Body
c/o The GATT
Geneva, Switzerland

On the basis of U.S. actions subsequent to the TSB's report and positions put forward by the United States during the recent consultations, China believes that the United States has not fully implemented the recommendations of the TSB.

Category 317 and category 410

In its November 21 report, the TSB found that the statements addressed by the United States to China at the time of the request for consultations lacked sufficient data to substantiate the real risk of market disruption and strongly recommended that the United States take this observation into account. The TSB also noted it was of the opinion that these imports at the time of the request for consultations were not threatening the orderly development of trade. In light of this, and of subsequent development, the TSB recommended that:

- (a) The United States should adjust upwards forthwith the level of restraints for both categories,
- (b) The United States should not insist that the dates of requests for consultations be maintained as the effective dates for the establishment of the reference level, and that in lieu it consider the end of the 90 day period, mentioned in paragraph 8(b) of the bilateral agreement, as the effective dates,
- (c) Both parties consult in due time bearing in mind the above sub-paragraphs and China's trade performance.

U.S. actions subsequent to the TSB's report and its positions put forward during the recent consultations are not in conformity with these recommendations. Contrary to

the recommendation of the TSB that the United States should adjust upwards forthwith the level of restraints in both categories, the United States has not taken actions to adjust the restraint levels in these categories. The United States did not initially put forward a specific restraint level for either category in its proposals during the consultations. Subsequently, the United States suggested that it could accept a level of 2.2 million square yards in category 410 but put forward on an informal basis a level of 1.9 million square yards. This level is slightly under the minimum level of 1,920,193 square yards resulting from the application of the TSB's recommended utilization of the end of the 90 day consultation period as the basis for establishing the reference level. In the case of 317, the United States proposed a level of 15 million square yards, a level above that recommended as a minimal level by the TSB, but included in its proposal a sublimit of 3 million square yards for sateen.

Category 444

In category 444, the TSB found that the reference level was low and recommended that the parties consult, taking this fully into account. In its initial proposal, The United States put forward a level of 11 thousand dozen. China views this level as considerably below that recommended by the TSB. U.S. imports from China for the year ending April 1984, the end of the 90 day consultation period, totalled 13,989 dozen, and U.S. imports for the year ending July, 1984 totalled 25,731 dozen. China views the year ending July, 1984 level of U.S. imports to be representative of China's trade and proposed a level of 25,700 dozen. During these consultations both sides concurred that agreement was not possible in this category.

Category 313

TSB noted that the roll-back period had resulted in a restraint level that was not representative of China's trade performance, and therefore recommended that both parties hold consultations to negotiate a restraint level more representative of China's trade performance. The U.S. initial proposal of 43 million square yards was not viewed as representative of the TSB's recommendation. Subsequently, the United States suggested that it could accept a level of 50 million square yards having considered China's proposal of 52.5 million square yards which China views to be representative of its trade. But the United States put forth on the final day of consultation a level of 46 million square yards. It signalled that no agreement was possible in this category.

Conclusion

Of the four categories subject to recommendations in the TSB's November 21, 1984 report, the United States has not taken actions in conformity with category 317 and category 410. Its offer in category 410 was below the minimum recommended by the TSB and in category 317 included a new sublimit. In the cases of category 444 and category 313, the U.S. proposal during consultations was substantially below China's representative trade level.

Accept, Mr Chairman, the renewed assurances of my highest consideration.



Liu Xianming

Counsellor

Permanent Mission of China

Geneva