

# GENERAL AGREEMENT ON TARIFFS AND TRADE

CONFIDENTIAL  
TEX.SB/1169\*  
2 October 1985

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Textiles Surveillance Body

## ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

### Communication under Article 11:4

#### India/United States

#### Note by the Chairman

Attached is a communication received from India under Article 11:4, referring to matters concerning two categories and the Group II limit in its bilateral agreement with the United States.

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\*English only/Anglais seulement/Inglés solamente



S.P. SHUKLA  
Ambassador

भारत का स्थायी मिशन  
जेनेवा  
PERMANENT MISSION OF INDIA  
TO THE UNITED NATIONS OFFICES  
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TELEPHONE : 32 06 89

No.GEN/PMI/203/5/85

27 September, 1985

Dear Mr. Ambassador,

This is in continuation of my three letters all bearing No. GEN/PMI/203/5/85 dated 9th September, 1985 on the following subject:

- (I) Non-implementation of the recommendation of the Textiles Surveillance Body (TSB) for rescinding the restraint of category 334 and also the trade inhibiting effect of Group II limit;
- (II) Consideration of the unilateral restraints imposed by US Government on categories 337, 350, 359-Pt.I and 359-Pt.II; and
- (III) Consideration of the unilateral restraints imposed on categories 310, 318, and 313.

2. Consultations were held at Washington on September 10-13, 1985 to discuss the problem arising out of the denial of entry of handloom made-up products from India with exempt certification from Indian authorities. During these consultations, at the request of the delegation of the US Government, a review was carried out on the above categories. The US delegation agreed to rescind the calls for consultations dated March 27, 1984, July 31, 1984 and February 28, 1984 on categories 359-Pt.I, 359-Pt.II and 350 respectively. Negotiated restraint levels were agreed for categories 310, 318 and 337. No agreement could be reached on categories 334 and 313.

3. In view of the foregoing development, I have been directed by my Government that the TSB should consider the following two subjects:

- I. Category 334 and trade inhibiting effects of Group II;
- II. Category 313.

4. The TSB at its meeting of the 5th July, 1984 recommended, among others, rescinding of restraint on category 334. However, the Government of USA reported to the TSB on September 13, 1984 about its inability to implement the recommendation. Revised production data were furnished by the US to the TSB justifying continuation of the

restraint on this category on grounds of real risk of market disruption. The position of the Indian side has been that the proper course for the US Government would have been to first rescind the unilateral restraint on category 334 and then seek fresh consultations, if a situation of market disruption or real risk thereof was perceived on the basis of any fresh data. However, without prejudice to this position and in response to the request of the US Government for fresh consultations, the Government of India agreed to review the position on category 334 during the consultations of March 1985 and then in September 1985.

5. The Government of India has carefully reviewed the position regarding category 334 on the basis of the furnished and clarifications offered during the aforesaid consultations. My Government is convinced that situation of market disruption or real risk thereof does not exist for this category in the US market on the basis of exports from India. The following are some of the factors in support of the Indian position:

- (I) The production data for 1983 supplied by the US Government in September 1984 show a wide discrepancy with the estimates of production supplied in July 1984 to the TSB. The reasons for this discrepancy are not clear. The identity of the industry sought to be protected is not clear;
- (II) During the meeting of the TSB in July 1984 the inadequacy and the unreliability of the price data supplied by the US was highlighted. No additional data on prices has been furnished by the US subsequently;
- (III) An analysis of the market data as available during the March 1985 consultations reveals the following position:
  - (a) India's share in Apparent Consumption Market (ACM) of US was only 1.64 % during 1983 and the share of imports from India in total imports into US was also very small;
  - (b) India's exports during 1984 came down as compared to 1983. During 1984, while overall imports into US increased, imports from India decreased substantially;
  - (c) The employment data presented by the US side for 1984 for Men's and Boy's suits and coats, showed an increase from 1983. In the case of apparel as a whole it was higher compared to 1982 as well.

(d) The production trend showed a secular decline indicating autonomous adjustment process in the US industry covering category 334;

(e) There was no causal relationship between trend of increase/decrease in imports and production;

(f) Imports from India increased in 1983 over 1982 by 18000 dozens while those from all suppliers into USA increased by 227000 dozens. India's share of increase in the increase of total imports during 1983 was thus 7.6 %. This percentage can hardly be claimed to constitute any risk of market disruption to the US industry.

(IV) Even though relevant factual data for 1984 especially on production, exports, prices etc. were not made available, the US Government had converted the unilateral limit for 1984 into a specific limit for 1985 and also for the duration of the current agreement. This is violative of the provisions of the bilateral agreement and the Arrangement. The US delegation was not in a position to supply relevant, specific factual data for 1984 except data on imports and to a certain extent data relating to employment;

(V) According to all available indicators, the US apparel industry had share in the recovery of the US economy and personal consumption expenditure on clothing, apparel sale, shipments, manhours worked and employment showed a healthy upswing. On the other hand, trade and industry in India has been severely and adversely affected because of the restraints imposed by the US Government.

6. The Government of India maintains that there was no case of market disruption or real risk thereof on account of imports from India either at the time of making the call for consultation for this category or at any time subsequently.

7. The Government of India is deeply concerned that the clear and categorical recommendation of the TSB in the case of category 334 has not been implemented by the US Government. This has serious implications for the credibility of the dispute-settlement mechanism under the Arrangement. My Government would, therefore, request the TSB to take note of the above position and urge upon the Government of USA to implement the recommendation for rescinding the call for restraint on category 334.

8. The TSB had taken into account the points made by the two sides in their respective presentations and 'the status and trade-inhibiting effect of the Group II limit' while recommending that the US rescind the restraints on categories 334 etc. The TSB had also reaffirmed its previous intention to revert to a discussion of group and aggregate restraints as soon as possible. During the consultations held in March as well as in September, 1985, the Indian side had again emphasised the deleterious effect of an overall ceiling on India's exports of garments which, along with the unilateral restraints imposed by the US Government since 1983 on several garment categories, had subjected the garment trade from India to USA to double jeopardy. No solution has been found during the consultations for this problem. The Government of India would, therefore, request the TSB to also address itself expeditiously to this matter so that the trade-inhibiting effect of the Group II limit is removed.

## II. Category 313

9. The Government of USA issued a call for consultation in respect of category 313 - Cotton sheeting on January 30, 1985. The note requesting for consultation also contained a request to hold the level of export during the 90-day period immediately following the receipt of the request for consultation to the formula limit as provided for in paragraph 16(D) of the Indo-US Textile Agreement.

10. My authorities responded positively to the request for consultations in a spirit of goodwill and cooperation. Since the factual statements accompanying the Note did not contain adequate data and information in terms of Annex-A of the Arrangement read with paragraph 8 of its protocol of extension and the provisions of the bilateral agreement, a request was made to the US authorities to supply updated, relevant specific factual information before the consultations. A copy of the communication of February 21, 1985 from the Embassy of India, Washington to US authorities is attached (Annex-I).

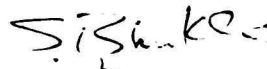
11. The US authorities have shifted products falling under certain TSUS number under category 320 to category 313 thereby unilaterally enlarging the scope of category 313. The Indian authorities had formally objected to this shifting, pointing out that this would adversely affect India's trade. Since the coverage of the original category of 313 as included in the bilateral agreement had subsequently been unilaterally enlarged, the consultation call as originally issued for this category could not be sustained. Statistics for published US Government sources showed that the health

of the US fabric industry was sound and buoyant. The market data as supplied (without including the products shifted from category 320) showed that production in the domestic industry had increased in 1983 over that of 1982 and had remained stable in 1984. India had very small share of 1.64 % in the ACM during 1984. Further India's share in the global imports in the USA was also small. Price data supplied were inadequate and deficient in terms of the requirement of Annex-A of the Arrangement. Further, price data from a number of major suppliers were not furnished.

12. The Indian delegation, therefore, felt that the call could not be justified and should be withdrawn. The temporary limit had adversely affected export production and exports in category 313. However, the US side was not prepared to agree to revoke the restraints. Since then, specific limit has been notified for this category unilaterally.

13. My Government views this development with great concern as the action of the US authorities is violative of the letter and spirit of the bilateral agreement as well as the Arrangement and its protocol of extension. The unilateral restraints have caused serious disruption and dislocation in trade and industry in India. In view of the above, my Government would like to invoke the provisions of paragraph 4 of Article 11 of the Arrangement and request prompt consideration of this matter by the Textiles Surveillance Body and would urge the Textiles Surveillance Body to recommend that the US withdraw the restraints on category 313.

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

  
(S.P. SHUKLA)  
Ambassador

Ambassador Marcelo Raffaelli,  
Chairman,  
Textiles Surveillance Body,  
GATT Secretariat,  
GENEVA.



Annex 1

C O P Y

EMBASSY OF INDIA  
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WASHINGTON, D.C. 20008  
TELEPHONE: 265-5200

No.COM/105/2/85

February 21, 1985.

The Embassy of India presents its compliments to the U.S. Department of State and with reference to the request received from the US Deptt. of State for consultations on category 313, has the honour to State that the Government of India has noted the request of the Government of the United States for consultations in respect of Category 313 under para 16 of the Agreement relating to trade in cotton, wool and man-made fibre textiles and textile products between the Government of India and the Government of United States of America.

On perusal of the data and information supplied by the U.S. Embassy in New Delhi, the Government of India is of the view that the information supplied does not fulfil the requirement of paragraph 16(B) of the Agreement and Annex 'A' of the Arrangement regarding international trade in textiles rest with paras 7 and 8 of its protocol of extension. The Government of India would therefore request for the following additional information to be supplied in order to make an assessment whether any threat of market disruption is being caused by exports of products under category 313 from India to the United States market :

- (a) Data regarding imports from India and other sources both restrained and non-restrained to U.S. during the last five years. The data for the last two years may be on a monthly basis.
- (b) The figures of Indian imports into U.S for the above period for mill-made and handloom items of this category.
- (c) The levels at which other suppliers have been restrained for this category.
- (d) Exports from the U.S., by TSUSA Number, globally and individually to different countries during the last five years.
- (e) Domestic production by TSUSA Numbers during the last five years.

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- (f) Data on employment, investment, productivity, turn-over, capacity utilisation and profits in the U.S domestic industry for this product category for the last five years.
- (g) Price data from the other suppliers by TSUSA Number with a full list of suppliers.
- (h) The basis of computation of the U.S Producers price on comparable basis in terms of quality, stage of commercial transaction and time period.

The Embassy of India avails itself of this opportunity to renew to the U.S Department of State the assurances of its highest consideration.

The U.S. Department of State,  
Textiles Division,  
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