

GENERAL AGREEMENT ON

TARIFFS AND TRADE

CONFIDENTIAL

TEX.SB/1943 *

26 August 1992

Textiles Surveillance Body

ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Notification under Article 8:4

Finland/Pakistan

Note by the Chairman

Attached is a notification received under Article 8:4 from Finland of the introduction of import licensing to administratively control imports of bedlinen of Pakistani origin.

* English only/Anglais seulement/Inglés solamente

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MINISTRY FOR FOREIGN AFFAIRS

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Date 21.8.92	No. MMM 0218	Number of Pages 1+5
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To/Telefax No.

GATT Geneva
990 41 22 7314206

Sent

Ref.

Subject

GATT/TSB;MFA Art.8:4-notification by Finland

From:

Name

Telefax No.

KPO-35

Erik Hagfors

Ambassador M.Raffaelli
Chairman
Textiles Surveillance Body
GATT


Dear Ambassador Raffaelli,


I have the honour to submit herewith to the TSB a notification under Article 8:4 of the Arrangement Regarding International Trade in Textiles, on fraud and circumvention of bed linen of Pakistani origin to Finland.

Yours sincerely,


E. Hagfors
Ambassador

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ARTICLE 8:4 NOTIFICATION BY FINLAND ON FRAUD AND CIRCUMVENTION OF
BED LINEN OF PAKISTANI ORIGIN TO FINLAND

With reference to Article 8:4 of the Arrangement Regarding International Trade in Textiles, Finland communicates to the TSB that in order to administratively control imports of bed linen of Pakistani origin to Finland, the Finnish Government has decided to impose an import licensing procedure for such imports as of August 26, 1992. No quantitative limit has been imposed, yet, pending the completion of the consultation process between Finland and Pakistan. The details and circumstances of the process are clarified below.

1. The Finnish customs authorities initiated an investigation on fraud and circumvention of bed linen to Finland via Poland in the autumn of 1991. The investigation required cooperation with the customs authorities of Poland and Sweden, which cooperation was granted, although neither Poland, nor Sweden, were participating countries to the Arrangement. Most of the evidence for the case was provided by the customs authorities of the third countries referred to above. Some of the evidence consists of interviews of the staffs of the enterprises involved in the case.
2. The investigation revealed that in 1991/1992 226 tons of bed linen of Pakistani origin were circumvented to Finland via Poland by fraud committed by an enterprise established in Sweden. The products were customs cleared into Finland duty-free as products of Polish origin, and marketed, causing serious damage to the domestic industry.
3. Finland requested Article 8 consultations with Pakistan on April 1, 1992, simultaneously requesting Pakistan to cease

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granting export licenses for bed linen for exports into Finland, in order to avoid further serious damage to the Finnish domestic industry. The request was based on a document initialled, but not signed, on July 27, 1991, Pakistan committing itself unilaterally to implement the document, pending its signature, which was subsequently delayed by Pakistan until March 14, 1992, depriving Finland of any possibility for import control, since only signed documents can be implemented by a decree in Finland. The time frames of delay of signature, and the operation of the fraud and circumvention, coincided largely with each other. The direct, and circumvented imports of bed linen of Pakistani origin in the period July 1, 1991, to June 30, 1992, exceeded the quota, to which Pakistan committed itself unilaterally, by 15,9 %. Pakistan also failed to implement the obligation to submit quarterly statistics on export licenses granted for exports of bed linen into Finland as well as an obligation to consult with Finland in January 1992.

4. Finland has submitted to Pakistan information of the Pakistani suppliers (6) involved in the case, as well as the enterprises in Poland, Sweden and Finland involved in the case. The route of circumvention was Karachi-Hamburg-Poland-Finland, and the organiser of transactions, and circumvention, was an enterprise established in Sweden. The goods were shipped to Hamburg, transported by lorry to Poland, and shipped to Finland after repacking the products into packages that could only be used in the Finnish market. Subsequently Finland submitted to Pakistan practically all documentation concerning the case, including documentation provided by the Polish and Swedish authorities. Another route of circumvention has subsequently become subject to separate investigation.

5. The Polish authorities have excluded the possibility of a reprocessing of the products originating from Pakistan before their re-exportation into Finland, as was claimed by the enterprises concerned.

6. The fraud aspect of the case is subject to separate prosecution procedure.

7. Article 8 consultations with Pakistan on June 30 - July 3, 1992, did not lead to satisfactory solution of the circumvention case, nor did, so far, subsequent consultation contacts.

8. While the Arrangement does not cover fraud cases only, the fraud aspect, implying in the present case avoidance of 35 % tariff protection, is a major factor in the assessment of the serious damage caused to the domestic industry. While the Arrangement does not cover cases of circumvention of tariffs only, the case is covered by initialled quota arrangement, committing unilaterally Pakistan.

9. In the present case the circumvention was operated by an enterprise established in Sweden. The Arrangement does not specify, which party operates circumvention. Practically always the operator is a third party enterprise, and seldom a government. The Arrangement therefore cannot require that evidence of the collusion of the suppliers of the country of origin must be provided. In the present case, however, proof exist of close collaboration between the operating Swedish enterprise, and certain Pakistani suppliers, which even supplied repacking materials to the enterprise established in Poland, which re-exported the products into Finland. Finland submits to the TSB that in a circumvention case relevant is the origin of the goods, and the damage caused to the domestic industry of the importing country, particularly where the operator of circumvention pays directly for transactions to the suppliers of the country of origin, which can be proven in the present case.

10. Finland is prepared to submit further information, and to continue consultations with Pakistan, if requested to do so by the TSB.

63.02.21.00	Bedsheets, quilt covers, pillowcases and
63.02.22.00	similar products, made of cotton or man-
63.02.31.00	made fibres or blends thereof, other than
63.02.32.00	knitted or crocheted