

GENERAL AGREEMENT ON
TARIFFS AND TRADE

CONFIDENTIAL

TEX.SB/941/Add.2*
2 April 1984

Textiles Surveillance Body

ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Notification under Article 3

Communication from Turkey

Note by the Chairman

Attached is a communication received from Turkey concerning the measures taken by Sweden with respect to imports of underwear (Groups 4/5) and trousers (Group 8) from Turkey.

*English only/Anglais seulement/Inglés solamente

Letter from the Permanent Mission of Turkey
to the Chairman of the TSB

Geneva, 21 March 1984

Mr. Chairman,

In accordance with Article 3 of the Arrangement Regarding International Trade in Textiles and on the instructions of my Government, I have the honour to inform you that the negotiations undertaken between the Turkish and Swedish Governments with a view to reaching an agreement on exports of certain textile products from Turkey to Sweden have not been successful. On 28 February 1984, the Swedish Government informed the Turkish Government that with effect from 7 March 1984 it would introduce unilateral restrictive measures on Turkish exports of textiles. The text of the Swedish communication is annexed hereto.

As you know, these negotiations had been requested by Sweden on 17 October 1983. In making their request for consultations, the Swedish authorities had adduced the argument that imports from Turkey, of textiles in four categories, were causing disruption of the Swedish market. The share of Turkey's exports in the Swedish market for each of those categories in October 1983 was as follows:

Category IV	(Undergarments)	0.5%
Category V	(Knitwear)	3.1%
Category VIII	(Trousers)	2.2%
Category X	(Blouses)	0.8%

Turkish exports of textiles to Sweden reached a total value of \$3.5 million in the first ten months of 1983. The value and volume of those exports, by category, in the same period was as follows:

Category IV	\$71,217	229,000 pieces
Category V	\$830,451	1,029,000 pieces
Category VIII	\$438,829	420,000 pieces
Category X	\$2,179,507	78,000 pieces

In presenting their request for consultations, the Swedish authorities were not able to establish explicitly that Turkish exports were constituting a source of serious damage for their textile industry within the meaning of Article 1 of Annex A to the Multifibre Arrangement. The data presented by the Swedish authorities to justify their request for consultations all referred to the period prior to 1981, whereas it was in 1982 and 1983 that Turkey's textile exports to Sweden began to increase substantially. Similarly, the Swedish authorities did not take account of the fact that Turkey is a "new entrant" in the Swedish market and that under Article 12(d) of the Protocol of Extension the provisions of Annex B to the MFA should be applied sparingly to it.

Furthermore, in accordance with Article 6(2) of the MFA, Turkey should receive favourable treatment having regard to the fact that its exports to Sweden began to increase only in recent years and that it is a developing country.

Lastly, a simple comparison of imports from Turkey with those from the EEC and EFTA suffices to show that if there has been any market disruption in Sweden, Turkish products cannot be responsible for it since those imported from EFTA and the EEC are much more voluminous and enter the Swedish market on much more advantageous terms. The figures for the various categories concerned are as follows:

<u>Category IV</u>	January-June 1983
EEC	18,550,000 pieces
EFTA	1,484,000 pieces
of which Portugal	468,000 pieces
Turkey	190,000 pieces

<u>Category V</u>	
EEC	7,081,000 pieces
EFTA	3,330,000 pieces
of which Portugal	1,956,000 pieces
Turkey	818,000 pieces

<u>Category VIII</u>	
EEC	4,130,000 pieces
EFTA	2,933,000 pieces
of which Portugal	1,215,000 pieces
Turkey	206,000 pieces

Nevertheless, being desirous of arriving at an agreement that would allow Turkish trade in textile products to develop in a stable manner, the Turkish Government accepted the Swedish Government's request for consultations. During the negotiations held between the two countries, Sweden expressed the desire to introduce the following limitations for the various categories concerned:

Category IV	300,000 pieces
Category V	700,000 pieces
Category VIII	300,000 pieces
Category X	160,000 pieces

On the other hand, the Turkish Government asked for categories IV and X to be excluded from the coverage of the restrictions and for a ceiling of 2,500,000 pieces to be adopted for each of categories V and VIII. These proposals were rejected by Sweden during the negotiations which took place at Stockholm.

The level proposed by the Turkish Government for each of the categories of Turkish textiles exported to Sweden was established on the basis of the following considerations:

(a) There is a chronic deficit in the trade balance between the two countries. This was of the order of \$60 million for the first ten months of 1983 and has been increasing year after year, because whereas Turkey's exports have reached a ceiling between \$15 and \$20 million, imports from Sweden have been rising steadily. In the view of the Turkish Government, only the textiles sector has sufficient potential to reduce to some extent the trade deficit between the two countries. This sector should therefore be left some growth margin in its exports to Sweden.

(b) Production and exports by the Turkish textiles sector are very largely based on cotton. Indeed, Turkey is one of the six largest cotton producers in the world. The Protocol Extending the Arrangement stipulates in Article 12(c) that "exports of cotton textiles from cotton producing exporting countries should be given special consideration. Where restraints are applied, more favourable treatment should be given to these countries in terms of quotas, growth rates and flexibility in view of the importance of such trade to these countries, ...".

(c) As the above figures show very clearly, exports of Turkish textile products take up only a very small share of the Swedish market. Yet Article 6(3) of the Arrangement stipulates that "restraints on exports from participating countries whose total volume of textile exports is small in comparison with the total volume of exports of other countries should normally be avoided if the exports from such countries represent a small percentage of the total imports of textiles covered by this Arrangement of the importing country concerned".

(d) Furthermore, Article 6(4) of the Arrangement provides for special treatment for developing countries and states that "where restrictions are applied to trade in cotton textiles in terms of this Arrangement, special consideration will be given to the importance of this trade to the developing countries concerned in determining the size of quotas ...".

The great importance of the textiles sector in the Turkish economy is beyond doubt. 10.1 per cent of all workers employed by manufacturing industry in Turkey are in the textile industry. This sector is the principal outlet for female workers. Similarly, the textiles sector is one of the main sources of foreign exchange for Turkey. Exports of textile products reached a value of \$1,410 million in the first eleven months of 1983, representing 26 per cent of total exports by my country and 48 per cent of its industrial exports. Now, Turkey is beset by chronic difficulties in the area of external payments because of its considerable trade deficits. The country's development programme provides for a steep increase in imports. It will clearly not be possible to implement that programme unless Turkey's exports can increase in parallel. Data on Turkey's balance of payments and on its trade with Sweden are appended hereto.

In the light of the above indications and taking into account paragraph III of Annex A to the Arrangement which stipulates that "in considering questions of 'market disruption' account shall be taken of the interests of the exporting country, especially in regard to its stage of development, the importance of the textile sector to the economy, the employment situation, overall balance of trade in textiles, trade balance with the importing country concerned and overall balance of payments", the Turkish Government considers that the unilateral restrictive measures imposed by the Swedish authorities on Turkish exports of textile products should be found inconsistent with the Arrangement and with the Protocol of Extension by the Textiles Surveillance Body. I wish to draw the attention of the Textiles Surveillance Body to the fact that the levels envisaged by these measures are well below the level of actual sales in the first ten months of 1983. Accordingly, they are not consistent with the provisions of paragraph 1(a) of Annex B to the MFA. In the view of the Turkish authorities, to be consistent with those provisions, Turkish exports of textiles for each category should be set at not less than the following levels:

Category IV	284,000 pieces
Category V	987,000 pieces
Category VIII	374,000 pieces

Mere improvement of these levels, however, bringing them closer to those envisaged by paragraph 1(a) of Annex A to the MFA would not make them more acceptable to the Turkish authorities because what the latter are challenging is the principle of consistency of the unilateral measures applied by Sweden with the provisions of the Arrangement and of its Protocol of Extension. The Turkish authorities are at the disposal of the TSB for any additional information that it might need for examining the matter.

ANNEX

1. Swedish communication notifying Turkey of unilateral measures of restriction adopted by the Swedish Government in respect of Turkish exports of textiles.
2. Swedish imports of Categories IV, V, VIII and X products, and Turkey's share in Swedish imports.
3. Balance of payments of Turkey.
4. Trade balance of Turkey.
5. Breakdown of Turkey's industrial exports by commodity groups.
6. Structure of Turkey's exports by commodity groups.
7. Trade balance with Sweden.

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The Swedish Government regrets having found it necessary to establish limits for imports of certain textile products from Turkey to Sweden under the terms of article 3, paragraph 5, of the MFA. For the period March 7, 1984 - September 6, 1984 imports from Turkey will be limited to the following levels:

Group IV/V. Description. Underwear (including underwear T-shirts) knitted or crocheted, other than shirts, nightwear and tights.

Sweaters, pullovers, jumpers, cardigans etc. (including outerwear T-shirts).

Level. 583.000 pieces.

Group VIII. Description. Trousers.

Level. 166.000 pieces.

In order to minimize the difficulties for trade, the Swedish Government has decided that the limits will apply from March 7, 1984 and not retroactively from October 17, 1983, on which date the request for consultations under article 3 of the MFA was transmitted to the Turkish authorities. Furthermore limits have been introduced for a period of 6 months only in the hope that an agreement on trade in textiles would be concluded between Turkey and Sweden before the end of this period. The Swedish Government is consequently prepared to resume the negotiations on such an agreement.

Ankara, February 28, 1984

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TABLEAU : I

STRUCTURE DES EXPORTATIONS TURQUES PAR CLASSES
DE PRODUITS (000 Dollars USA)

	<u>1 9 8 0</u>	<u>%</u>	<u>1 9 8 1</u>	<u>%</u>	<u>1 9 8 2</u>	<u>%</u>	<u>1 9 8 3/a/</u>	<u>%</u>
	<u>I. M O N D E :</u>							
- Exportations totales	2.910.122	100	4.702.934	100	5.745.973	100	5.053.794	100
1. Produits agricoles	1.671.742	57.4	2.219.409	47.2	2.140.505	37.2	1.610.250	31.9
2. Produits minéraux	190.994	6.6	193.406	4.1	175.320	3.1	177.154	3.5
3. Produits industriels	1.047.386	36.0	2.290.120	48.7	3.430.148	59.7	3.266.390	64.6
	<u>II. S U E D E</u>							
Exportations totales	18.691	100	19.254	100	19.307	100	20.473	100
1. Produits agricoles	4.087	21.9	7.575	39.3	6.297	32.6	3.810	18.6
2. Produits minéraux	3.781	20.2	3.055	15.9	2.109	10.9	2.011	9.8
3. Produits industriels	10.823	57.9	8.624	44.8	10.901	56.5	14.652	71.6

/a/ Fin Novembre

REPARTITION DES EXPORTATIONS INDUSTRIELLES PAR GROUPES DE PRODUITS
(000 Dollars USA)

	<u>1980</u>	<u>%</u>	<u>1981</u>	<u>%</u>	<u>1982</u>	<u>%</u>	<u>1983 /a/</u>	<u>%</u>
I. MONDE:								
Exportations des produits industriels:	<u>1.047.386</u>	<u>100</u>	<u>2.290.120</u>	<u>100</u>	<u>3.430.148</u>	<u>100</u>	<u>3.266.390</u>	<u>100</u>
1. Matières textiles et ouvrages en ces matières /b/	<u>777.665</u>	<u>74,2</u>	<u>1.216.957</u>	<u>53,1</u>	<u>1.435.949</u>	<u>41,9</u>	<u>1.410.479</u>	<u>43,2</u>
a. Soie, bourre de soie etc. (Chap. 50)	71	...	2	...	718	...	234	...
b. Fils de fibres textiles synthétiques et artificielles continues etc. (Chap. 51)	6.373	0,6	17.979	0,8	51.920	1,5	60.616	1,9
c. Filés métalliques (Chap. 52)	-	-	-	-	-	-	-	-
d. Laine, poils et crins (Chap. 53)	17.550	1,7	29.743	1,3	32.041	0,9	51.381	1,6
e. Laine et ramie (Chap. 54)	-	-	81	...	34	...	38	...
f. Coton (Chap. 55)	528.184	50,3	623.938	27,2	616.184	18,0	475.139	14,6
- Coton en masse (55.01)	322.597	30,8	348.264	15,2	296.142	8,6	166.347	5,1
- Linters de coton (55.02)	5.950	0,6	8.113	0,4	6.494	0,2	5.475	0,2
- Déchets de coton (55.03)	1.329	0,1	3.141	0,1	3.432	0,1	4.818	0,1
- Coton cardé ou peigné (55.04)	11	...	1.426	...	2.067	0,1	2.944	0,1
- Fils de coton (55.05)	179.379	17,1	228.598	10,0	216.933	6,3	219.252	6,7
- Fils de coton (55.06)	1.782	0,2	1.961	0,1	1.566	0,1	2.149	0,1
- Tissus de coton (55.07)	915	...	1.586	0,1	351	...	-	-
- Tissus de coton (55.08)	-	-	743	...	1.030	...	683	...
- Autres tissus de coton (55.09)	16.220	1,5	30.106	1,3	88.168	2,6	73.471	2,3
g. Textiles synthétiques et artificielles etc. (Chap. 56)	27.055	2,6	66.815	2,9	110.443	3,2	155.980	4,8
h. Autres fibres textiles végétales etc. (Chap. 57)	-	-	30	...	957	...	352	...
i. Tapis et tapisseries, velours etc. (Chap. 58)	88.786	8,5	165.802	7,2	250.176	7,3	171.988	5,3
k. Ouates et feutres, cordages etc. (Chap. 59)	3.187	0,3	10.525	0,5	6.845	0,2	13.301	0,4
l. Bonneterie (Chap. 60)	16.198 /c/	1,5	33.676 /c/	1,5	31.222 /c/	0,9	57.077 /c/	1,7
m. Vêtements et accessoires de vêtements en tissus (Chap. 61)	66.562 /c/	6,4	201.106 /c/	8,8	259.560 /c/	7,6	347.197 /c/	10,6

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	1980	%	1981	%	1982	%	1983 /a/	%
n. Autres articles confectionnés en tissus (Chap. 62)	23.581 /c/	2.3	67.113 /c/	2.9	73.904 /c/	2.2	76.298 /c/	2.3
o. Friperies, drilles etc. (Chap. 63)	118 /c/	...	146 /c/	...	1.945 /c/	0.1	878 /c/	...
2. Autres produits industrielles	269.721	25.8	1.073.163	46.9	1.994.199	58.1	1.855.911	56.8

II. SUEDE:

Exportations des produits industriels:

	10.823	100	8.624	100	10.901	100	14.652	100
1. Matières textiles et ouvrages en ces matières /b/	821	7.6	3.407	39.5	4.691	43.0	5.263	35.9
a. Soie, bourre de soie etc. (Chap. 50)	-	-	-	-	-	-	-	-
b. Fils de fibres textiles synthétiques et artificielles continues etc. (Chap. 51)	-	-	-	-	-	-	-	-
c. Filés métalliques (Chap. 52)	-	-	-	-	-	-	-	-
d. Laine, poils et crins (Chap. 53)	-	-	-	-	-	-	16	0.1
e. Laine et ramie (Chap. 54)	-	-	-	-	-	-	-	-
f. Coton (Chap. 55)	75	0.7	1.162	13.5	93	0.9	402	2.7
- Coton en masse (55.01)	-	-	1.127	13.1	60	0.6	355	2.4
- Linters de coton (55.02)	-	-	-	-	-	-	-	-
- Déchets de coton (55.03)	-	-	-	-	-	-	-	-
- Coton cardé ou peigné (55.04)	-	-	-	-	-	-	-	-
- Fils de coton (55.05)	63	0.6	35	0.4	29	0.3	30	0.2
- Fils de coton (55.06)	-	-	-	-	-	-	-	-
- Tissus de coton (55.07)	-	-	-	-	-	-	-	-
- Tissus de coton (55.08)	-	-	-	-	-	-	1	...
- Autres tissus de coton (55.09)	12	0.1	-	-	4	...	16	0.1
g. Textiles synthétiques et artificielles etc. (Chap. 56)	-	-	62	0.7	33	0.3	15	0.1
h. Autres fibres textiles végétales etc. (Chap. 57)	-	-	-	-	-	-	-	-
i. Tapis et tapisseries, velours etc. (Chap. 58)	343	3.2	988	11.5	1.714	15.7	972	6.6
k. Ouates et feutres, cordages etc. (Chap. 59)	-	-	-	-	-	-	-	-
l. Bonneterie (Chap. 60)	15 /c/	0.2	52 /c/	0.6	223 /c/	2.0	919 /c/	6.3

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	<u>1980</u>	<u>%</u>	<u>1981</u>	<u>%</u>	<u>1982</u>	<u>%</u>	<u>1983 /a/</u>	<u>%</u>
m. Vêtements et accessoires de vêtements en tissus (Chap. 61)	381 /c/	3.5	1.139 /c/	13.2	2.591 /c/	23.8	2.773 /c/	18.9
n. Autres articles confectionnés en tissus (Chap. 62)	6 /c/	...	4 /c/	...	37 /c/	0.3	165 /c/	1.2
o. Friperies, drilles etc. (Chap. 63)	-	-	-	-	-	-	-	-
2. Autres produits industrielles	<u>10,002</u>	<u>92.4</u>	<u>5.217</u>	<u>60.5</u>	<u>6,210</u>	<u>57.0</u>	<u>9,389</u>	<u>64.1</u>

/a/ Fin novembre

/b/ Chapitres 50 à 63 (Section XI) de la Nomenclature de Bruxelles

/c/ Produits textiles à base de coton, presque entièrement

TABLEAU : III

EVOLUTION DE LA BALANCE COMMERCIALE DE LA TURQUIE

	<u>IMPORTATIONS</u>	<u>EXPORTATIONS</u>	<u>BALANCE</u>
1961	507.204.542	346.739.856	160.464.686-
1962	619.447.071	381.197.452	238.249.619-
1963	687.616.228	368.086.824	319.525.404-
1964	537.396.757	410.771.316	126.625.441-
1965	571.952.867	463.738.093	108.214.774-
1966	718.269.231	490.507.794	227.761.437-
1967	684.668.960	522.334.147	162.334.813-
1968	763.663.217	496.419.037	267.244.180-
1969	801.235.398	536.833.645	264.401.753-
1970	947.605.027	588.476.202	359.128.825-
1971	1.170.841.343	676.601.578	494.239.765-
1972	1.562.553.971	884.968.749	677.585.222-
1973	2.086.214.737	1.317.082.917	769.131.820-
1974	3.777.558.987	1.532.181.582	2.245.377.405-
1975	4.736.558.186	1.401.075.096	3.337.483.090-
1976	5.120.646.897	1.960.214.301	3.168.432.596-
1977	5.796.277.925	1.753.026.046	4.043.251.879-
1978	4.599.024.605	2.288.162.686	2.310.861.919-
1979	5.069.431.610	2.261.195.313	2.808.236.297-

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	<u>IMPORTATIONS</u>	<u>EXPORTATIONS</u>	<u>BALANCE</u>
1980	7.909.364.105	2.910.121.619	4.999.242.486-
1981	8.933.373.864	4.702.934.406	4.230.439.458-
1982	8.734.414.976	5.745.973.041	2.988.441.935-
1983 <u>/a/</u>	8.144.916.745	5.053.793.234	3.091.122.511-

/a/ Fin Novembre

EVOLUTION DE LA BALANCE COMMERCIALE VIS-A-VIS DE LA SUEDE
(DOLLARS U.S.A.)

	<u>IMPORTATIONS</u>	<u>EXPORTATIONS</u>	<u>BALANCE</u>
1961	6.630.316	3.161.239	- 3.469.077
1962	9.216.911	4.352.320	- 4.864.591
1963	11.308.933	3.780.478	- 7.528.455
1964	9.283.025	3.914.315	- 5.368.710
1965	6.991.993	5.112.389	- 1.879.604
1966	10.354.233	5.092.978	- 5.261.255
1967	10.478.220	6.858.700	- 3.619.520
1968	11.305.756	3.219.824	- 8.085.932
1969	12.903.251	3.806.155	- 9.097.096
1970	10.698.921	3.557.660	- 7.141.261
1971	17.520.956	5.554.096	-11.966.860
1972	19.390.346	9.396.236	- 9.994.110
1973	25.034.862	10.447.764	-14.587.098
1974	35.150.036	30.581.238	- 4.568.798
1975	38.775.343	32.876.737	- 5.898.606
1976	38.921.224	17.031.226	-21.889.998
1977	53.282.259	16.671.405	-36.610.854
1978	38.661.798	20.880.360	-17.781.438
1979	37.703.962	15.212.252	-22.491.710
1980	55.560.022	18.690.652	-36.869.370
1981	73.462.573	19.253.881	-54.208.692
1982	102.158.302	19.307.214	-82.851.088
1983 /a/	82.927.050	20.473.126	-62.453.924

TABLEAU : V

EVOLUTION DE LA BALANCE DES PAIEMENTS DE LA TURQUIE

(000.000 Dollars)

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
I. BALANCE COMMERCIALE	<u>-2.311</u>	<u>-2.808</u>	<u>-4.999</u>	<u>-4.230</u>	<u>-3.096</u>
1. Exportations	2.888	2.261	2.910	4.703	5.746
2. Importations	-4.599	-5.069	-7.909	-8.933	-8.842
II. BALANCE DES SERVICES	<u>890</u>	<u>1.559</u>	<u>1.789</u>	<u>2.138</u>	<u>1.931</u>
1. Envois de fonds des travailleurs émigrés	983	1.694	2.071	2.490	2.187
2. Paiements d'intérêts (Dette extérieure)	-389	-546	-668	-1.193	-1.465
3. Transferts de bénéfices	- 47	- 42	- 51	- 56	- 43
4. Tourisme (net)	145	179	212	277	262
5. Services concernant les crédits aux projets	- 56	- 65	-	-	-
6. Divers (net)	254	339	225	620	990
III. INFRASTRUCTURE ET OFF-SHORE	3	10	-	-	-
IV. BALANCE DES OPERATIONS COURANTES	-1.418	-1.239	-3.210	-2.092	-1.165
V. OPERATIONS EN CAPITAL NON MONETAIRES	1.032	275	1.872	879	1.175
1. Autres paiements (Dette extérieures)	-256	-485	-576	-585	-852

EVOLUTION DES IMPORTATIONS SUEDOISES RELATIVESAUX GROUPES IV, V, VIII et X

(Quantité: 1000 pièces)

<u>GROUPES</u>	<u>1 9 8 1</u>	<u>1 9 8 2</u>	<u>1 9 8 3 (a)</u>	<u>Septembre 1982-Août 1983 (b)</u>
	<u>TURQUIE</u>			
IV	14	117	229	284
V	12	179	1.029	987
VIII	34	271	420	374
X	70	90	77	75
	<u>M O N D E</u>			
IV	50.155	58.555	45.877	
V	40.309	39.284	32.697	
VIII	18.794	22.398	18.907	
X	10.848	11.442	8.720	
	<u>PART DE LA TURQUIE DANS LES IMPORTATIONS TOTALES (%)</u>			
IV	0.02	0.2	0.5	
V	0.02	0.4	3.1	
VIII	0.1	1.2	2.2	
X	0.6	0.7	0.8	

(a) Fin Novembre

(b) Période de référence prévue par l'Annexe B, paragraphe 1 (a).

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
2. Investissements directs	47	86	53	60	55
3. Crédits aux projets	450	421	547	642	754
4. Importations sans allocation de devises	120	123	95	69	49
5. Crédits aux programmes	110	677	1.811	840	1.007
6. Divers	561	-547	-58	-147	162
VI. BALANCE GLOBALE	-386	-964	-1.338	-1.213	10
VII. ERREURS ET OMISSIONS	-225	602	-1.365	-1.149	204
VIII. MOUVEMENTS MONÉTAIRES	611	362	- 27	64	214
1. Variation des réserves	-158	-111	- 333	- 58	-482
2. IMF	170	3	461	335	205
3. Capitaux à court et moyen termes	599	470	-155	-213	63