

GENERAL AGREEMENT ON TARIFFS AND TRADE

CONFIDENTIAL

TEX.SB/W/12
16 July 1974

Textiles Surveillance Body

DRAFT REPORT ON THE FIFTH MEETING HELD ON 11-12 JULY 1974

1. The Textiles Surveillance Body held its fifth meeting on 11-12 July, at the Villa Le Bocage.
2. The TSB approved the report on its fourth meeting which was subsequently circulated to the Textiles Committee in document COM.TEX/SB/19.
3. The TSB resumed the discussion on the procedure to be followed for the justification of restrictions on textiles by Mexico, which is not a contracting party to the GATT but a party to the Textiles Arrangement. Following its discussion, the TSB agreed on the procedure set out in the Annex to this report.
4. In this connexion, the TSB was informed that Colombia is currently in the process of provisionally acceding to the GATT. It was, therefore, requested not to take up, at this juncture, the question of establishing a procedure for assessing the justification for the maintenance of restrictions by Colombia. The TSB acquiesced in this request.
5. The TSB reverted to the question of how equity in treatment could best be assured between a member of the TSB and a non-member, when their countries were both involved in a dispute before it. The TSB based its discussion at this meeting on a proposal put forward by the Chairman to this end. There was a general agreement in the TSB that the member whose country is party to a dispute before it will not stand in the way of the achievement of a consensus. It had already been agreed that the member concerned shall not present the case himself, but another spokesman from that party should advocate it. The TSB, further accepted that the spokesman for both the country having a member on the TSB, and the country not having a member thereon, should be invited to present their cases fully. They would be allowed to remain present throughout the TSB's discussion up to, and including, the drafting of the recommendation.
6. The question of whether or not the member and the two spokesmen participate in the final deliberations and drafting of the recommendations resulting therefrom will be further discussed at the next meeting. The TSB will then adopt certain guidelines regarding its internal procedure for the case under consideration.

7. The TSB carried further the discussion on the type of action specifically required of it in Article 4 of the Arrangement. It was agreed that members should reflect further on this matter before reaching a decision.

8. The TSB addressed itself to reviewing Article 2 notifications received from participating countries since its last meeting. It had also before it, additional information and clarifications with regard to certain notifications previously submitted. In the course of its review the TSB sought further details, and the secretariat was asked to seek these from the participating countries concerned. The point was made that it would be important for the restraining participating countries, in making their notifications in accordance with paragraph 1 of Article 2, to ensure that all the restrictions in force described therein, particularly those quantitative measures which have a restrictive effect, are included in these notifications.

9. It was agreed that the next meeting of the TSB would be held on Thursday and Friday, 25 and 26 July 1974.

ANNEX

THE CASE OF MEXICO NOT BEING A CONTRACTING PARTY TO
THE GATT, BUT BEING A PARTY TO THE TEXTILES ARRANGEMENT

1. Article 2, paragraph 2, of the Arrangement lays down that:

"Unless they are justified under the provisions of the GATT (including its Annexes and Protocols), all unilateral quantitative restrictions and any other quantitative measures which have a restrictive effect and which are notified in accordance with paragraph 1 above shall be terminated within one year of the entry into force of this Arrangement, unless they are the subject of one of the following procedures to bring them into conformity with the provisions of this Arrangement....."

2. It is the view of the TSB that a balance of rights and obligations needs to be established as between parties to the Arrangement which are contracting parties to the GATT, and those which are not.

3. The Mexican Government, in acceding to the Arrangement under the provisions of Article 13(2), reaffirmed that Mexico, which is not a contracting party to the GATT, expects, by virtue of acceding to the Arrangement and in respect of all matters covered by the Arrangement, to obtain treatment equal to that afforded to other participating countries having similar economic systems and levels of development.

4. It was recognized by the TSB that it would be unreasonable and inappropriate to expect a non-contracting party to justify such restrictions before permanent GATT bodies.

5. The TSB noted that it would be important to have regard to the standards that would be applied to developing countries which are contracting parties to the GATT, bearing in mind the terms of paragraph 2 of Article 13 of the Textiles Arrangement.

6. Having regard to the foregoing, the TSB considered that in order to assess the justification for the maintenance of restrictions by Mexico, the Mexican authorities, like all non-contracting parties to the GATT having similar economic systems and levels of development, could submit a memorandum to the TSB broadly on the lines of the submissions which might be required from contracting parties in similar positions and circumstances, and containing relevant information relating to the economy of Mexico and to its textile industry, together with supporting statistical data and general economic indicators.

7. The TSB stipulated that the foregoing related only to trade in textiles and would not constitute any interpretation of the General Agreement, nor prejudice in any way the procedure to be followed were Mexico one day to become a contracting party to the GATT.