

GENERAL AGREEMENT ON TARIFFS AND TRADE

CONFIDENTIAL

TEX.SB/W/156
4 December 1978

Textiles Surveillance Body

DRAFT REPORT OF THE TWELFTH AND THIRTEENTH MEETING (1978)¹

1. The Textiles Surveillance Body held its twelfth meeting from 1 to 3 November; the thirteenth meeting was held from 13 to 22 November 1978. The Chairman informed the members that he had been advised that Mr. Beck would occupy the seat assigned to the Community for the remainder of 1978. The following members were present: Messrs. Beck, Hamza², Jayanama, Kujirai, Park³, Patek, Phelan and Suarez. The combined report of the tenth and eleventh meetings was approved and it has been circulated to the Textiles Committee in document COM.TEX/SB/372.

2. The TSB, during its meetings referred to above, continued its review of a series of outstanding notifications received from Sweden and the European Community.⁴ For ease of comprehension the combined report has been divided into the following sections:

- I General comments
- II General observations - Swedish notifications
- III Specific comments - Swedish notifications
- IV General observations - EEC notifications
- V Specific comments - EEC notifications
- VI Other considerations

¹ Seventy-sixth and seventy-seventh meetings.

² Alternate, replacing Mr. Kumar during the twelfth meeting.

³ Replaced, during the thirteenth meeting, by Mr. Wise, the substitute alternate for Mr. Tsao.

⁴ See COM.TEX/SB/372, paragraph 6.

I. General comments

Delay in notifications

3. The TSB, in reviewing a number of Article 4 bilateral agreements before it, noted with concern the lengthy delay in some of these notifications, concern also expressed by many participants at the Textiles Committee's meeting in October 1973. In this respect the TSB recalled its previous observations,¹ and recommended all participating countries to make every effort to comply with the notification requirements set out in the Arrangement and particularly those in Article 4 thereof.

Recourse to Article 11:4

4. The TSB also discussed the availability of recourse to Article 11:4 of the Arrangement in disputes arising out of the implementation of Article 4 agreements, and was in no doubt that such recourse was always available to all participants.

II. General observations - Swedish notifications

Restraint levels set in value terms

5. The TSB noted, in its review of some recent notifications, that part of the quotas agreed upon had been fixed in terms of value rather than quantity. In this connexion the TSB recalled its previous recommendation² that participating countries should respect the requirements of Article 5 of the Arrangement regarding normal commercial usage in such matters as the denomination of quotas and restraint levels in quantitative units.

III. Specific comments - Swedish notifications

6. The TSB reviewed five notifications of agreements concluded under Article 4 of the Arrangement between Sweden and each of India, Thailand, Sri Lanka, Pakistan and the Philippines. The TSB noted that the agreement with India was

¹See COM.TEX/SB/365, paragraph 75.

²See COM.TEX/SB/196, paragraph 96.

for twelve months, ending 28 February 1979 for certain product groups and on 30 June for the remaining groups. The duration of the other agreements was as follows: Thailand (the agreement ends on 30 June 1979); for certain products it starts on 1 December 1977, for one category on 15 January 1978, and for the remainder on 1 July 1978); Sri Lanka (1 August 1978 to 31 July 1979); Pakistan (the agreement runs from 1 March 1978 to 23 February 1979; in the case of one product group the starting date is 1 July 1978); and the Philippines (1 August 1978 to 31 October 1979).

Sweden/India, Thailand and Sri Lanka

7. The TSB noted that the Article 4 agreements between Sweden on the one hand, and each of India, Thailand and Sri Lanka on the other, provided for a considerably lower rate of growth than the growth of not less than 6 per cent prescribed in the MFA. The TSB further noted the absence of flexibility provisions as provided for in paragraph 3 of Article 4 of the Arrangement. The TSB recognized that the lower growth rate reflected the parties understanding that implementation of the 6 per cent growth provisions of the Arrangement could contribute to the then existing threat to Sweden's minimum viable production as foreseen in paragraph 2 of Annex B¹.

8. In considering these agreements, the TSB had full regard to the concept of the minimum viable production as set out in Article 1:2 of the Arrangement. While fully recognizing Sweden's right to protect its minimum viable production, the TSB held that paragraph 6 of the Understanding reached by the Textiles Committee on 14 December 1977, could not be invoked as a general waiver of

¹The relevant words of the paragraph read as follows:

"In exceptional cases where participating importing countries have small markets, an exceptionally high level of imports and correspondingly low level of domestic production and where the implementation of the above growth rate would cause damage to those countries' minimum viable production, a lower positive growth rate may be decided upon after consultation with the exporting country or countries concerned."

particular obligations under the Arrangement, and recommended that, if the agreement was to be extended, modified or renewed, both parties thereto should adhere to this principle.

Sweden/Thailand and Sri Lanka

9. The TSB noted the Swedish authorities have stated that any application of Article 8 in the agreements concluded under Article 4 of the Arrangement between Sweden on the one hand, and each of Sri Lanka and Thailand on the other, will be fully consistent with the provisions of the MFA.

Sweden/Pakistan and the Philippines

10. In considering these agreements the TSB took note that they covered textile products of all fibres. The TSB thus concluded that the agreements were inconsistent with Article 12:1 of the Arrangement. It therefore recommended that, in the event of their extension, modification or renewal, only products within the purview of Article 12:1 be included.

11. After its review, the TSB agreed to circulate the text of these agreements to the Textiles Committee for the information of the participating countries and this has been done in documents COM.TEX/SB/373 to 377.

IV. General observations - EEC notifications

Consultation provisions

12. In reviewing the consultation provisions for establishing quantitative limits on basket categories in the EEC bilateral agreements, the TSB noted that, where operation of the provisions resulted in the establishment of a quantitative limit or limits, the relevant agreement would be modified within the purview of paragraph 4 of Article 4 and thus subject to the notification and review requirements of that Article.

13. The TSB recommends that these provisions should be applied sparingly, with moderation, and in a reasonable manner.

Regional breakdown

14. The TSB noted that restraint levels in the Community's agreements were generally expressed as Community limits. The TSB considered that the regional breakdown of these restraint levels was, in terms of paragraph 3 of Article 4, of legitimate interest to participating countries and noted the Community's intention to communicate to the TSB the annual breakdown of the Community's quotas at the regional level, as it becomes definitive.

Transmission to the Textiles Committee

15. In circulating the text of the agreements to the Textiles Committee for information, the TSB noted that the said agreements had, at this stage, been initialled and were in de facto application, but had not yet been formally concluded. The TSB confirmed the right of the parties to modify the agreement by mutual consent. In that event, the modifications would, in turn, be notifiable under Article 4, paragraph 4.

V. Specific comments - EEC notifications

16. The TSB also considered three notifications of agreements concluded under Article 4 of the Arrangement between the EEC, on the one hand, and each of Bangladesh, Sri Lanka and Argentina, on the other.

EEC/Bangladesh

17. The TSB noted that the agreement provided for a consultation procedure and that no restraints had been established.

EEC/Sri Lanka

18. The TSB noted that the parties thereto had agreed to restraint levels substantially higher than the levels of actual imports into the EEC from Sri Lanka during the reference period. It found that, in overall terms, the agreement was consistent with the Arrangement.

EEC/Argentina

19. As in the case of former participants of the MFA which have not signed the Protocol Extending the Arrangement, the TSB agreed, bearing in mind the request by the Textiles Committee that actions taken vis-à-vis non participants should be notified to the Body, to transmit the notification under Articles 7 and 8 of the Arrangement.

20. After its review of these three notifications the TSB agreed to circulate the text of the agreements to the Textiles Committee see documents COM.TEX/SB/378 to 380.

VI. Other considerations

21. A notification from Sweden of a new bilateral agreement concluded under Article 4 of the Arrangement with Korea, as well as the official notifications by the European Communities under Article 4, paragraph 4 of the Arrangement of initialled agreements between the EEC and each of India, Korea and Pakistan, are still under consideration by the TSB.

22. The TSB also considered the question of the need for, and the provision of, statistical information on textiles and clothing on a regular basis to the Body. It was decided that the GATT secretariat should provide, by February of next year, the summary tables contained in COM.TEX/W/55, updated to include data for 1978. The TSB further agreed that it would await the results of the new meeting of the Technical Sub-Group on Textile Documentation¹ before considering the matter any further.

¹See COM.TEX/W/57, paragraph 42.