

GENERAL AGREEMENT
ON TARIFFS AND TRADE



19 December 1978

*With the compliments
of
Paul WURTH
Chairman
Textiles Surveillance Body
Arrangement regarding International Trade
in Textiles*

I attach hereto the draft report of the TSB's fourteenth meeting. If you have any changes to propose I should be grateful if you would call Mr. Robin Davies by Friday, 22 December 1978, otherwise I shall take the report as being approved.

Villa Le Bocage - Palais des Nations
CH-1211 GENÈVE 10

CONFIDENTIAL

TEX.SB/W/159
19 December 1978

Textiles Surveillance Body

DRAFT REPORT OF THE FOURTEENTH MEETING (1978)¹

1. The Textiles Surveillance Body held its fourteenth meeting from 11 to 14 December 1978. The following members were present: Messrs. Beck, Jayanama, Kujirai, Kumar², Park, Patek, Phelan and Suarez. The combined report of the twelfth and thirteenth meetings was approved and it has been circulated to the Textiles Committee in document COM.TEX/SB/380.
 2. The TSB continued its review of a series of outstanding notifications received from Sweden and the European Community.³
 3. The TSB considered an agreement between Sweden and Korea. The TSB noted that, as was the case with two previous agreements between Sweden and each of Pakistan and the Philippines⁴, the agreement covered textile products of all fibres. The TSB, therefore, concluded that this agreement was inconsistent with Article 12:1, and, as in the previous cases, it did not address itself to the other aspects of the agreement. It therefore recommended that, in the event of ~~their~~^{its} extension, modification or renewal, only products within the purview of Article 12:1 be included. The TSB agreed to circulate the text of the agreement to the Textiles Committee, see COM.TEX/SB/381.
- General observation - EEC notifications⁵
4. In considering further the consultation provisions for establishing quantitative limits on basket categories, the TSB noted that a real risk of market disruption, as referred to in Article 4 of the Arrangement, must be deemed by the Community to exist before such consultations are initiated.

¹Seventy-eighth meeting.

²Present on the first day.

³See COM.TEX/SB/380, paragraph 21.

⁴See COM.TEX/SB/380, paragraph 10.

⁵See also COM.TEX/SB/380, paragraphs 12 to 15.

5. In reviewing the comprehensive bilateral agreements notified by the Community, the TSB noted that the Community had negotiated most 1978 restraint levels on the basis of 1976 trade figures, rather than on the basis of the restraint levels in effect in the selective agreements which were in force in 1977. However, the TSB was informed that the Community's new categorization system was based on revised product descriptions and that, in most cases, no correlation was possible between the categories in the new system and those subject to restraints under previous agreements. The TSB was, therefore, unable to determine in particular cases how new restraint levels compared with previous restraint levels, or with trade in the proper reference period, but concluded that, to the extent that those provisions of Annex B relating to the extended restraint levels in Article 4 agreements had not been followed, departures were involved.

6. The TSB considered two notifications made by the Economic Community under Article 4:4 of the Arrangement of initialled agreements between the EEC and each of India and Pakistan. The TSB noted that its general observations and recommendations together with those set out in COM.TEX/SB/380 will apply to these agreements. After its review the TSB agreed to circulate the text of these agreements to the Textiles Committee for information, see COM.TEX/SB/382 and 383.

7. The TSB received a notification from Austria to the effect that Austria and Pakistan have agreed not to extend their previous bilateral agreement concluded under Article 4 of the Arrangement but that subsequent exports of cotton textiles by Pakistan to Austria would be covered by the provisions of a consultation agreement between the parties. After its review the TSB agreed to transmit the notification to the Textiles Committee for the information of participating countries, see COM.TEX/SB/384.

8. The TSB also received a notification from Austria of a new bilateral agreement concluded with Brazil under Article 3 of the Arrangement covering cotton yarn and printed cotton fabrics. The TSB noted that the agreement provided for a growth rate of 1 per cent for the first year and for 3 per cent

(cotton yarn) and 2 per cent (cotton fabrics) in the second and third years and that these growth rates had been agreed upon due to the exceptional circumstances prevailing in the market for the sectors in question, as envisaged in paragraph 2 of Annex B.¹ The TSB noted the absence of swing into the aforementioned categories to which specific limits had been applied. In this connexion, the TSB recalled its observation with regard to the absence of swing² and it agreed to circulate the text of the agreement to the Textiles Committee for information, see COM.TEX/SB/385.

9. The TSB received two notifications from Finland concerning new bilateral textile agreements concluded with Singapore and India. The TSB reviewed these agreements under Article 4 and noted that the agreements provided for a considerably lower rate of growth than the growth of not less than 6 per cent prescribed in the MFA. 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 Finland's minimum viable production as foreseen in paragraph 2 of Annex B.³ The TSB further noted the absence of swing in the agreement with India and it recalled its previous observations thereon.⁴

¹The relevant portion of the paragraph reads as follows: "In exceptional cases where there are clear grounds for holding that the situation of market disruption will recur if the above growth rate is implemented, a lower positive growth rate may be decided upon after consultation with the exporting country or countries concerned."

²See COM.TEX/SB/365, paragraph 74.

³The 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."

⁴See COM.TEX/SB/365, paragraph 74.

10. 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 Finland'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 particular obligations under the Arrangement. After its review the TSB agreed to circulate the agreements to the Textiles Committee for information, see COM.TLX/SB/336 and 337.

11. The TSB finally took note that the term of office of the following members would expire on 31 December 1978: Messrs. Jayarama (Thailand), Kumar (India), Park (Korea) and Patek (Sweden).