

GENERAL AGREEMENT ON TARIFFS AND TRADE

CONFIDENTIAL

TEX.SB/W/163
21 February 1979

Textiles Surveillance Body

DRAFT REPORT OF THE SECOND MEETING (1979)¹

1. The Textiles Surveillance Body held its second meeting from 14 to 16 February 1979. The following members were present: Messrs. Beck, Kujirai², Martin, Phelan, Suarez, Tsao and Valdepenas². The Chairman welcomed Mr. Mohammad Seng Paselleri who was designated as an alternate to Mr. Valdepenas.
2. The report of the first meeting of 1979 was approved, and has been circulated to the Textiles Committee in document COM.TEX/SB/390.
3. The TSB had received a notification from Finland concerning an Article 4 bilateral agreement with Hong Kong. This agreement supersedes two previous agreements, one negotiated under Article 3 and the other under Article 4. In reviewing this agreement the TSB was informed that the previous agreement negotiated under Article 3 (see COM.TEX/SB/220), was extended until 31 July 1978. This extension which was effected pro rata had not been notified to the TSB. The TSB took note of the regret expressed by Finland and Hong Kong for such an omission.
4. The TSB noted that certain restraint levels in the new agreement involving reductions on the levels set out in previous agreements resulted in a reduction in access and, therefore, constituted a departure. The TSB further noted that the two parties had agreed to swing of less than 5 per cent. It recalled its earlier observations that swing was one of the essential elements in agreements under Articles 3 and 4 (COM.TEX/SB/69, paragraph 4). The TSB also recalled its previous observation concerning cases where the exporting country waives its right to swing

¹Eightieth meeting.

²Present on the second and third day.

as a reflection of a mutual recognition of the minimum viable production principle (COM.TEX/SB/365, paragraph 74). The TSB concluded that these observations would also apply to cases with agreed rates of swing lower than those mentioned in paragraph 5 of Annex B of the Arrangement. The TSB also noted that the two parties had agreed on a rate of growth lower than 6 per cent, and 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.

5. The TSB noted that the reduction in access, as well as other elements of this agreement, were agreed to by the two parties pursuant to the relevant provisions of the Protocol, in particular paragraph 6 thereof, and certain other considerations.

6. After concluding its examination of this notification the TSB agreed to circulate the text to the Textiles Committee. This has been done in document COM.TEX/SB/391.

7. The TSB received six notifications from the United States concerning amendments to each of its previous agreements concluded under Article 4, with Haiti, Hong Kong, India¹, Mexico, Poland¹ and Romania. The TSB reviewed these amendments and agreed to transmit the text of the notifications to the Textiles Committee for its information, see COM.TEX/SB/392, 393, 394, 395, 396 and 397. An extension of an Article 4 consultation agreement between the United States and Japan, was also reviewed and has been circulated in document COM.TEX/SB/398.

¹The notification contains two amendments.

8. The TSB received a notification of a new agreement concluded between the United States and Singapore under Article 4 of the Arrangement. In reviewing this agreement the TSB noted that the two parties agreed to no growth in the aggregate for the first year of the agreement. Bearing in mind the substantial increase in access for certain product categories, as well as the growth rate provided for in subsequent years, the TSB noted that, in overall terms, the new agreement was consistent with the provisions of Article 4 of the Arrangement. The TSB agreed to circulate the text of the notification to the Textiles Committee for information, see COM.TEX/SB/399. An amendment to this agreement was also reviewed by the TSB and circulated in document COM.TEX/SB/400.

9. The TSB took cognizance of two notifications received from the United States. The first related to an amendment to its previous bilateral agreement with Malaysia which was previously circulated to the Textiles Committee under Articles 7 and 8. As Malaysia has not as yet signed the Protocol Extending the Arrangement, though it was a former participant in the MFA, the TSB agreed that the text of this amendment should be circulated to the Textiles Committee under Articles 7 and 8 (see COM.TEX/SB/401). The second was a notification of a restriction imposed on imports of one textile item from the Republic of South Africa. This notification was made by the United States for information only pursuant to its obligation under Article 8:3, and bearing in mind the request by the Textiles Committee that actions taken vis-à-vis non-participants should be notified to the TSB. The text of this notification has accordingly been transmitted under Articles 7 and 8 to the Textiles Committee for the information of the participating countries (see COM.TEX/SB/402).