

GENERAL AGREEMENT ON TARIFFS AND TRADE

CONFIDENTIAL

TEX.SB/W/234*

5 December 1980

Textiles Surveillance Body

DRAFT REPORT OF THE NINETEENTH MEETING (1980)^{1/}

1. The TSB held its nineteenth meeting of 1980 on 1 and 2 December. The following members or alternates replacing members were present: Messrs. Bajwa, Beck/Scheele, Kujirai, Lee/Chau, Pullinen/Hobson, Safioen, Santos-Neves, Shepherd.
2. The joint report of the seventeenth and eighteenth meetings was adopted and was transmitted to the Textiles Committee as COM.TEX/SB/626.
3. The Chairman welcomed Mr. J. Scheele (EEC) as alternate to Mr. Beck, replacing Mr. L. de Gouvion St. Cyr.

Pending notification: EEC/Indonesia

4. The TSB reverted to the notification by the EEC of an amendment to its Article 4 agreement with Indonesia, concerning the introduction by the EEC of new limitations under the "basket exit" procedure for certain categories.
5. The TSB was informed by the delegations of the EEC and Indonesia that consultations on this amendment would continue during the month of December. It therefore deferred its consideration of this item until an appropriate future meeting.

New notifications

United States/Colombia

6. The TSB had received a notification from the United States of an amendment to its Article 4 bilateral agreement with Colombia, which introduced restraint on a wool category. The TSB noted the statement by the United States that the provision of one per cent growth and 5 per cent swing reflected the continued state of disruption of the United States wool textiles and apparel market. After its review the TSB agreed to transmit the amendment to the Textiles Committee (COM.TEX/SB/...).

United States/Korea

7. The TSB had received a notification from the United States of certain amendments to the original Article 4 bilateral agreement concluded with Korea. In reviewing these amendments, the TSB noted that swing had been reduced by 1 per cent and carryover/carry forward had been forgone for the 1980 agreement year with respect to eleven apparel categories, and that no growth had been accorded to one wool apparel category in establishing the level for 1980.

^{1/} — Hundred-and-fourteenth meeting overall.

* — English only/Anglais seulement.

8. The TSB further noted other modifications which seemed to be favourable to Korea, namely the introduction of a new consultation system and a substantial increase in the wool group.

9. The TSB noted that the reduction in swing and the elimination of carry-over/carry forward were in respect of 1980 only and that, for the remaining years of the bilateral agreement, i.e. 1981 and 1982, the original swing and carryover/carry forward provisions were not affected.

10. The TSB concluded that, having due regard to the limited duration of the reduction in flexibility, the impact of the modifications on trade flow did not appear seriously to affect Korea's continued access to the United States market. In this connexion, the TSB stressed the importance it attached to stability of access as embodied in the concept of orderly development of trade in terms of Article 4, paragraph 2.

11. After its review the TSB agreed to transmit this amendment to the Textiles Committee (see COM.TEX/SB/...).

Sweden/Singapore

12. The TSB considered a notification of a new Article 4 agreement between Sweden and Singapore, covering the period 1 December 1979 to 30 November 1981. The TSB again observed with regret that, despite its repeated earlier recommendations, there had been a considerable delay in the notification of this agreement, and once more urged all participants to make notifications promptly.

13. In reviewing this agreement, the TSB noted that reductions in the levels for two categories were not compensated by increases in other categories. This resulted in a reduction in net access under the agreement, and thus constituted a departure.

14. The TSB also noted the existence of growth rates limited to 0.065 to 0.8 per cent for the categories subject to restraint in the second year of the agreement.

15. The TSB also observed that, following its recommendations in connexion with previous Swedish agreements, there was a provision of 5 per cent carry-over and 5 per cent carry forward in this agreement. Although these represented improvements over the previous agreement, there was a limitation of 5 per cent on cumulative use of carryover and carry forward, which led to lower flexibility than that set out in Annex B. The TSB also noted that there was no provision for swing in this agreement and took note of the

statement by Sweden, that the absence of swing was the result of a mutually agreed recognition of the need to maintain minimum viable production.

16. The TSB gave particular attention to the provision laid down in Article 10 of the agreement for the unilateral imposition of restrictions by Sweden in the event of a failure to reach mutually satisfactory solutions in consultations under the agreement.^{1/} In this connexion, the TSB recalled similar provisions in a number of agreements concluded by Sweden and the statement by the Swedish authorities that their application would be fully consistent with the MFA. The TSB reaffirmed its understanding that any such unilateral restrictions shall be in conformity with the Arrangement and recommends that, for reasons of clarity, this understanding be reflected explicitly in the provisions of any future agreement containing a similar clause.

17. After its review, the TSB agreed to transmit this agreement to the Textiles Committee (see COM.TEX/SB/...).

Sweden/Pakistan

18. The TSB had received a notification from Sweden concerning an Article 4 bilateral agreement concluded with Pakistan covering the period from 1 March 1980 to 28 February 1982 and containing restraint levels in both quantity and value terms.

19. As compared with the levels in the previous agreement the base levels established in this agreement for five groups were slightly higher, i.e. varying from 0.09 per cent to 0.8 per cent. Growth for these groups in the second agreement year varied between 0.085 per cent and 0.1 per cent.

^{1/} Article 10 of the agreement reads as follows: The Government of Sweden and the Government of Singapore agree to consult each other, at the request of either party, when any problems arises from the implementation of this agreement. The Government of Sweden and the Government of Singapore agree furthermore to enter into consultations on the prolongation, modification or removal of the limitations before the end of the period of agreement. If consultations do not result, within a reasonable period of time, in a mutually satisfactory solution and the removal or modification of the limitations would result in serious damage to its domestic producers of like or directly competitive products, the Government of Sweden may apply limitations to the extent and for such time as may be found necessary.

20. The base level for the remaining group ("Rest Group") which included new products not previously under restraint (table linen, curtains, etc.) was set in value terms. This level was higher by 30 per cent as compared with the restraint level in the previous agreement and the trade in the roll back period for the two new products under restraint. The growth for this group in the second agreement year was 8.6 per cent, again in value terms.

21. The agreement does not provide for swing as between the groups covered therein. In this respect the TSB took note of the statement by Sweden that the absence of swing was the result of a mutually agreed recognition of the need to maintain minimum viable production.

22. Since the levels for the "Rest Group" had been fixed in terms of value rather than quantity, the TSB again recalled its previous recommendation^{1/} 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 in order to avoid inter alia any trade distortion that might arise from variations in exchange rates and inflation. The TSB therefore recommended that in the event of the extension, modification or renewal of this agreement, the parties thereto should have full regard to such requirements.

23. After its review, the TSB agreed to transmit this agreement to the Textiles Committee (see COM.TEX/SB/...).

Sweden/Sri Lanka

24. The TSB had received a notification from Sweden concerning an Article 4 bilateral agreement concluded with Sri Lanka covering the period from 1 August 1980 to 31 July 1982. The increases in the base levels established in this agreement, with the exception of the "Rest Group", were over one per cent, as were the growth rates between the first and the second agreement year. However, for the "Rest Group" there was no increase over the restraint in the previous agreement, while there was a growth of 1.6 per cent in the second year.

25. The agreement does not provide for swing as between the groups covered therein. In this respect the TSB took note of the statement by Sweden that the absence of swing was the result of a mutually agreed recognition of the need to maintain minimum viable production.

^{1/} See COM.TEX/SB/442, paragraph 4.

26. Regarding the consultation clause contained in Article 10 of the agreement, the TSB recalled its observation and recommendation in the context of a similar clause in the agreement between Sweden and Singapore. Such observation and recommendation would be applicable to any unilateral measure taken under the said clause during the life time of the MFA. Noting that the agreement extended beyond the period of the MFA, the TSB recalled its previous observation that the validity of the TSB's review could extend no longer than the life of the Arrangement (see COM.TEX/SB/365, paragraph 70).

27. After its review, the TSB agreed to transmit this agreement to the Textiles Committee (see COM.TEX/SB/...).

/EEC: Adaptation of Bilateral Agreements

28. The TSB heard a statement by Mr. Beck concerning the need for adaptation of the bilateral agreements concluded by the Community, consequent on the entry of Greece into the Community on 1 January 1981. Consultations were now in progress between the Community and all its partners in the MFA on the negotiation of additional protocols to the existing bilateral agreements to take account of Greek entry. Not all of these protocols would be concluded by 1 January, and in this situation the Community would take over the existing Greek import régime on a "conservation" basis until new protocols were concluded. The Community would notify in the new year, as amendments to existing agreements, any such protocols of adaptation, and would also notify under the appropriate article of the MFA /Article 2/ any cases where protocols had not been concluded by 1 January⁷.