

GENERAL AGREEMENT ON TARIFFS AND TRADE

Textiles Surveillance Body

DRAFT REPORT OF THE SIXTH MEETING (1983)¹

1. The Textiles Surveillance Body held its sixth meeting of 1983 on 21-24 March.
2. Present at this meeting were the following members and/or alternates: Messrs. Beck/Keck, Bondad, Chau, Delgado²/Santos-Neves, Puri, Sato, Shepherd and Westlund.
3. At this meeting, the TSB took leave of Mr. Beck, whose term as TSB member had come to an end. The Chairman and members expressed their appreciation of the contribution made by Mr. Beck to the TSB during his five years as a member.
4. The report of the fifth meeting was adopted and has been circulated as COM.TEX/SB/840.
5. The following subjects were discussed:

Sweden/Pakistan

6. The TSB received a notification from Sweden of a bilateral agreement concluded with Pakistan, under Articles 1:2, 4, and 6:4 of the Arrangement as extended by the 1981 Protocol, valid from 1 March 1982 to 30 June 1983.

¹Hundred and forty-sixth meeting overall

²Part-attendance

* English only/Anglais seulement

7. The TSB observed that, although an increase considerably higher than 6 per cent in base levels was agreed for one group newly put under specific limit and an increase of 8.5 per cent was agreed for the "Rest Group", increases in base levels of all other products previously under restraint remained lower than 6 per cent (0.5 per cent), although these increases are higher than the growth rates in the previous agreement (0.1 per cent).

8. The TSB also observed the absence of swing, carryover and carry forward, noting at the same time the statement by Sweden that the absence of flexibility was based on paragraph 11 of the Protocol of Extension.

9. The TSB, while recognizing the potential importance of the provisions contained in Article 8 of this agreement concerning the possible modification of agreed quantitative limits, noted that the agreement would expire on 30 June 1983, and understood that it was unlikely that the provisions of the Article would be invoked within the lifetime of this agreement. The TSB, therefore, did not address itself in this instance to the question of consistency of the Article with the provisions of paragraph 10 of the 1981 Protocol.

10. The TSB noted that the agreement referred to Articles 1:2 and 6:4 of the MFA.

As regards Article 1:2 and other elements in the MFA and the Protocol of Extension concerning minimum viable production, the TSB took the view that paragraph 11 of the 1981 Protocol should not be considered as providing an automatic waiver of all flexibility for mvp countries, and expressed the view that the small share of Pakistan in the Swedish market in respect of some product groups did not fully justify the low growth rates and the lack of flexibility.

With respect to the provisions of Article 6 of the MFA and paragraph 12 of the 1981 Protocol, the TSB expressed the view that it was difficult to see how these provisions of the Arrangement were reflected in the agreement, particularly with regard to products in which Pakistan's share was small.

The TSB assumed that these observations would be taken into account by both parties in the event that this agreement were to be extended or a new one concluded. The TSB agreed to transmit this notification to the Textiles Committee with these observations. (COM.TEX/SB/841)

Sweden/Sri Lanka

11. The TSB continued its discussion of the Article 4 bilateral agreement between Sweden and Sri Lanka, and agreed to revert to it at its next meeting.

EEC agreements

12. In its review of three Article 4 agreements notified by the EEC, initialled with Malaysia, Singapore and Pakistan, respectively and in de facto application from 1 January 1982, the TSB noted that these agreements contained a number of points in common which the TSB was informed also appeared in other agreements initialled by the EEC. The TSB made the following general observations with respect to these points:

(a) Article 8: introduction of new restraints on products subject to consultations

13. In reviewing the procedures established in Article 8 of these agreements for introducing new restraints on products subject to consultations, the TSB understood that such consultations would only be requested when, in the view of the Community, there was a real risk of market disruption.

14. The TSB noted that the threshold levels for the application of these procedures were higher in these agreements than in the previous ones.

15. It was noted that any new restraints introduced under these consultation provisions would be notified to the TSB for its consideration under the provisions of Article 4 of the MFA as extended, as modifications to the agreements in question. The TSB would continue to review any such modifications on a case-by-case basis.

(b) Article 9: Quota adjustment clause

16. The TSB examined the consultation provisions relating to the adjustment of quotas under Article 9 of these agreements. It observed that these provisions, which envisaged the possibility of the reduction or suspension of flexibility or of the establishment of ad hoc limits lower than existing quotas, applied only to Group I products, and that in the event of the introduction of any measures under these provisions there would be equitable and quantifiable compensation.

17. The TSB took note that the parties had considered this mechanism as a means of dealing with the problems referred to in paragraph 10 of the Protocol. The TSB understood that any action taken under these provisions would be notified to the Body as a modification to the agreement in question. The TSB would review any such action having regard to its consistency with the MFA as extended.

(c) Article 12: Circumvention

18. In reviewing the consultation provisions in the bilateral agreements relating to Paragraph 14 of the Protocol of Extension, the TSB noted that the parties may consult with a view to agreeing an equivalent adjustment of quotas in cases where evidence of circumvention had been established. The TSB observed that such consultations would address the question of adjustment

of charges to existing quotas to reflect the country of true origin, with its timing and scope being decided in consultation between the countries concerned, with a view to arriving at a mutually satisfactory solution.

19. The TSB emphasized the importance to be attached to cooperation between all parties concerned.

20. The TSB also took the view that any action taken by the Community in the absence of a mutually agreed solution should be without prejudice to the possibility of continuing consultations and could not substitute the right of recourse to the TSB by either party under Article 8:2 of the MFA and Paragraph 14 of the Protocol of Extension.

21. The TSB understood that any arrangement or measure introduced under these consultation provisions was notifiable under Article 8:4 of the Arrangement.

(d) Article 4

Re-imports of textile products after processing

22. The provisions of Article 4 of these agreements relate to re-imports of textile products into the country after processing in the partner country concerned. The TSB did not address itself to this matter at this stage, on the understanding that it would revert to the matter at a future meeting.

(e) Article 5: Handloom and cottage industry products

23. The provisions of Article 5 of these agreements deal with imports of cottage industry products made of handloom fabrics. The TSB did not address itself to these provisions at this stage, on the understanding that it would revert to the question at a future meeting.

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24. In the context of its review of the consultation provisions contained in Articles 8, 9 and 12 of these agreements, the TSB examined the possibilities which existed for specified actions in the absence of mutually agreed solutions between the parties in such consultations. The TSB came to the view that those actions would be without prejudice to the possibility of continuing consultations and of having recourse to the provisions of Article 11:4, and, in questions of circumvention, of Article 8:2.

25. The TSB will continue its review of the three EEC agreements at its next meeting.