

GENERAL AGREEMENT ON TARIFFS AND TRADE

CONFIDENTIAL

TEX.SB/W/318*

17 June 1983

Textiles Surveillance Body

DRAFT REPORT OF THE ELEVENTH MEETING (1983)¹

1. The Textiles Surveillance Body held its eleventh meeting of 1983 on 13-15 June.
2. Mrs. S. Sjahrudin (Indonesia) was welcomed as alternate to Mr. Kittisataporn, replacing Mr. Bondad. Present at this meeting were the following members and/or alternates: Messrs. Chau, Keck/Richardson, Patriota, Puri, Sato, Shepherd, Mrs. Sjahrudin and Mr. Westlund.
3. The report of the tenth meeting was adopted and has been circulated as COM.TEX/SB/859.
4. The following points were discussed:

EEC/Poland

5. The TSB reviewed a notification of a new Article 4 bilateral agreement initialled by the EEC and Poland, in de facto application with effect from 1 January 1983 and valid until 31 December 1986.

¹ Hundred and fifty-first meeting overall.

* English only/Anglais seulement

6. In this agreement:

- (a) new restraints had been introduced on merged category 19/89 at the Community level and on three categories at regional level;
- (b) reductions in quotas from previous restraint levels were 17.5 per cent for one category and 6.3 per cent for another;
- (c) increases in quotas for other categories restrained at the Community level were between 1 and 4.8 per cent, and between 0.6 and 3.0 per cent for categories previously under restraint at the regional level. Base-level for the new Community restraint was 32.3 per cent higher than 1981 imports, and between 2 and 97.4 per cent over 1981 imports with respect to new restraints at the regional level¹;
- (d) growth rates agreed during the life of the agreement varied between 0.5 and 5 per cent; with rates lower than in the previous agreement in eleven cases;
- (e) swing was subject to limitations and ranged between 3.5 and 5.0 per cent;
- (f) carryover and carry forward were set at 5 and 5 per cent;
- (g) there was a limitation on the cumulative use of flexibility provisions;
- (h) a price clause was included.

¹Percentage increases were: Category 64 - 40.5 per cent; 69 - 2 per cent; 83 - 97.4 per cent; 91 - 10.9 per cent.

7. The TSB took note of a statement by the Community regarding base-levels, growth and flexibility provisions. According to the Community the reductions in base-levels were mutually agreed in the course of the negotiations, being fully compensated in other categories; and the growth rates and flexibility provisions reflected the acute and exceptional difficulties in the Community's market for the products concerned. The Community also stated that the price clause which had been included in the previous agreement had not been invoked.

8. In relation to the price clause contained in Article 5, the TSB reiterated its earlier statements¹ that such price clauses fall outside the provisions of the MFA. It expressed the view that in any case of application of the price clause, due consideration should be given to the fact that such application may have the effect of nullifying the objectives of the Arrangement in terms of Article 9:1. The TSB recommended that in the event of the application of the price clause every effort should be made to ensure that such application would be in conformity with the MFA.

9. The TSB did not address itself on this occasion to the provisions of paragraphs 1 and 4 of Article 3 of this agreement, concerning handloom and cottage industry products and re-imports of textile products after processing, respectively.²

10. After its review, the TSB agreed to transmit this notification to the Textiles Committee. (COM.TEX/SB/860)

¹COM.TEX/SB/457, paragraph 6 and COM.TEX/SB/477, paragraph 5.

²See paragraphs 22 and 23 of the report of the sixth meeting of 1983 (COM.TEX/SB/841). General observations contained in paragraphs 13 and 15 to 21 of the same report also apply to Articles 7, 8 and 9 of this agreement.

11. The TSB also reviewed a notification from the EEC, under Article 4:4, of a regional restraint introduced under the previous bilateral agreement on category 7 (blouses) valid for 1981 and 1982. This category continued to be under restraint in the new agreement. The TSB agreed to transmit this notification to the Textiles Committee. (COM.TEX/SB/861)

United States/India

12. The TSB reviewed a new Article 4 bilateral agreement between the United States and India, valid for the period 1 January 1983 to 31 December 1986.

13. In this agreement:

- (a) the aggregate and one group limit contained in the previous agreement had been removed;
- (b) Group II had been modified to include apparel products only, and exclude made-up items included in this group in the previous agreement;
- (c) previous restraints on four apparel categories had been maintained and new specific restraints introduced on two apparel categories and one made-up category (terry towels), replacing consultation levels in the previous agreement;
- (d) handloom and cottage industry products, referred to in paragraph 6 and Annex C of the Agreement, would not be subject to the provisions of this agreement provided such products were certified by the competent Indian authorities in accordance with the provisions of the mutually agreed visa and certification system

(Annex E). Hand-made apparel products were not included in this certification system, however, and for the duration of the current agreement would be included in the quantitative limits established thereunder;

- (e) increase in the group limit over the previous limit had taken account of the exclusion of trade in made-up articles previously included in the group, and of the inclusion of hand-made apparel of handloom fabrics;
- (f) increases in quotas for categories newly brought under restraint were in all cases above 6 per cent;
- (g) increases in quotas for categories previously under restraint were 3 per cent for two categories, 7 per cent for one category, and 55 per cent for one category;
- (h) growth rates during the life of the agreement ranged between 3 and 7 per cent;
- (i) swing was available at between 5 and 7 per cent for apparel categories, for some of which it was higher than in the previous agreement. No swing was available for the one non-apparel category under restraint (terry towels) the base level of which was significantly above previous trade;
- (j) carryover and carry forward had been set at 11 per cent/6 per cent.
- (k) new consultation provisions on exports of textiles and textile products not subject to specific limits had been introduced;
- (l) the general consultation clause, for use by either party, had been modified.

14. In the course of its review, the TSB discussed the general question of group and aggregate restraints, noting in this case that a group limit continued to apply to apparel items. The new level of this group for the first agreement year compared favourably with the levels of trade in the last year of the previous agreement. The TSB chose not to pursue the general discussion further at this meeting, but agreed to revert to it at an appropriate time in the future. With respect to treatment provided for hand-made apparel items, the TSB recalled the provisions of Article 12:3.

15. The TSB found that this agreement was on overall terms consistent with the provisions of Article 4 of the MFA, and agreed to transmit it to the Textiles Committee. (COM.TEX/SB/862)

United States/Hungary

16. The TSB reviewed a notification by the United States of a new bilateral agreement, concluded under Article 4 of the Arrangement, with Hungary. This agreement, valid from 1 October 1982 to 31 December 1986, covered only three categories of wool products covering suits and jackets. The TSB agreed to transmit this notification to the Textiles Committee. (COM.TEX/SB/863)

United States/Romania

17. The TSB reviewed a notification from the United States of a modification to its Article 4 agreement with Romania covering wool and man-made fibre products. In this modification, the agreement periods were revised to bring them into line with calendar years. The TSB agreed to transmit this notification to the Textiles Committee. (COM.TEX/SB/864)

EEC/Czechoslovakia

18. The TSB reviewed a notification of a new Article 4 bilateral agreement initialled by the EEC and Czechoslovakia, in de facto application with effect from 1 January 1983 and valid until 31 December 1986.

19. In this agreement:

- (a) categories 24 and 25 were merged;
- (b) reductions in quotas from previous restraint levels were 26.4 per cent for one category and 19.4 per cent for another;
- (c) for two categories at the Community level and six categories at the regional level there was no increase in base-levels;
- (d) increases in quotas for other categories ranged between 0.3 and 10 per cent at the Community level and between 2.6 and 8.3 per cent, with an increase of 29.6 per cent in one case, at the regional level;
- (e) growth rates within the agreement in all but four cases were lower than the previous agreement; for all categories under restraint they were lower than 6 per cent;
- (f) swing was subject to limitations and ranged between 3.5 and 5 per cent;
- (g) carryover and carry forward were set at 5 and 5 per cent;
- (h) there was a limitation on the cumulative use of flexibility provisions;
- (i) a price clause was included.

20. The TSB took note of a statement by the Community regarding base-levels, growth and flexibility provisions. According to the Community the reductions in base-levels were mutually agreed in the course of the negotiations, being

fully compensated in other categories; and the growth rates and flexibility provisions reflected the acute and exceptional difficulties in the Community's market for the products concerned.

21. The Community stated that the price clause which had been included in the previous agreement had not been invoked. The TSB noted that its remarks in relation to the price clause made in the case of the EEC/Poland agreement (paragraph 8 above) would also apply in this case.

22. The TSB did not address itself on this occasion to the provisions of paragraphs 1 and 4 of Article 3 of this agreement, concerning handloom and cottage industry products and re-imports of textile products after processing, respectively.¹

23. After its review, the TSB agreed to transmit this notification to the Textiles Committee. (COM.TEX/SB/865)

Notifications made under Articles 7 and 8

EEC/Turkey

24. The TSB received a notification from the EEC concerning temporary restrictions on imports of cotton fabrics (category 2) and knitted shirts (category 4) from Turkey, valid for the period 9 March to 15 July 1983. These measures were taken under the provisions of Article 60 of the Additional Protocol to the EEC/Turkey Association Agreement. The TSB recalled the observations made in paragraphs 11 and 12 of COM.TEX/SB/779 and paragraphs 21 and 22 of COM.TEX/SB/810, concerning earlier measures of this type, and once again called the attention of both parties to the provisions of paragraph 23 of the 1981 Protocol of Extension.

¹ See paragraphs 22 and 23 of the report of the sixth meeting of 1983 (COM.TEX/SB/841). General observations contained in paragraphs 13 and 15 to 21 of the same report also apply to Articles 7, 8 and 9 of this agreement.

25. The TSB agreed to transmit this notification to the Textiles Committee for its information, pursuant to Article 7 of the MFA. (COM.TEX/SB/866)

Austria/Thailand

26. The TSB received a notification from Austria concerning a simplified certificate of origin used in its export surveillance system for imports from Thailand. It was agreed to transmit this notification to the Textiles Committee for its information, pursuant to Article 7 of the MFA. (COM.TEX/SB/867)

EEC/Bulgaria

27. The TSB received a notification from the EEC of a new bilateral agreement with Bulgaria, a non-participating country to the MFA, valid from 1 January 1983 to 31 December 1986. It was agreed to transmit this notification to the Textiles Committee for its information. (COM.TEX/SB/868)