

GENERAL AGREEMENT ON TARIFFS AND TRADE

CONFIDENTIAL
TEX.SB/W/344*
28 February 1984

Textiles Surveillance Body

DRAFT REPORT OF THE THIRD MEETING (1984)¹

1. The Textiles Surveillance Body held its third meeting of 1984 on 22-24 February.
2. Present at this meeting were the following members and/or alternates: Mr. Bondad/Mrs. Sjahruddin, Messrs. Hyun/Cartland, Keck/Richardson, Marques Porto/Delgado, Puri, Sato/Matsui, Shepherd and Westlund.
3. The report of the second meeting has been circulated in COM.TEX/SB/924.
4. The following points were discussed.

Article 4 notifications

EEC/Hong Kong

5. The TSB completed its review of the notification of a new Article 4 bilateral agreement initialled by the EEC and Hong Kong in de facto application with effect from 1 January 1983 and valid until 31 December 1986.
6. In this agreement:
 - (a) forty categories were under restraint at the Community level; five categories previously restrained at the Community level were liberalized, though regional limits were maintained on three of these categories;

- (b) restraint on one category was introduced in one region;
- (c) five categories in Group I had reductions in base-levels ranging between 4.7 and 8.3 per cent;
- (d) increases in base-levels for other categories ranged between 0.1 and 3 per cent, with 4.5 per cent for one category at the Community level, and between 2.1 and 6 per cent for previously restrained categories at the regional level; the increase over 1981 imports for the new regional restraint was 13 per cent;
- (e) growth rates for categories under Community restraint ranging between 0.1 and 4 per cent, were in almost all cases below those contained in the previous agreement. One category under regional restraint was provided growth at 5 per cent, the others at 6 per cent;
- (f) swing was subject to limitations and was set at 3.5 per cent for Group I categories, and at 5 per cent for other categories;
- (g) automatic use of carryover and carry forward was possible at 1 plus 1 per cent, and up to 5 plus 5 per cent after consultations;
- (h) special carryover into the 1983 agreement year was set at 1 per cent of 1983 limits for categories 4 to 8, and 1.65 per cent for other categories;
- (i) cumulative use of flexibility was limited to 10 per cent for Group I categories and 11 per cent for all other categories;
- (j) all flexibility was suspended for categories 2 and 3.

7. The TSB heard a statement from the EEC on the exceptional circumstances prevailing in the Community market at the time the agreement was negotiated.

8. The TSB did not address itself on this occasion to the provisions of Article 4 of this agreement concerning re-imports of textiles products after processing.¹

9. When reviewing this agreement, the TSB took into consideration an exchange of letters dated 21 December 1981, which both parties to the agreement regarded as recording expressions of goodwill within the meaning of paragraph 6 of the Protocol of Extension. The TSB heard a statement by the EEC that the reductions in categories 4 to 8 constituted, in the view of the Community, together with other provisions of the agreement, a demonstration of Hong Kong's goodwill in the sense of paragraph 6 of the 1981 Protocol. The TSB also heard a statement by Hong Kong to the effect: that its expression of goodwill, in the light of paragraph 6 of the Protocol of Extension, had envisaged reduced flexibility; that Hong Kong had accepted the quota reductions in categories 4 to 8 as a part of the total package; that the provisions of special carryover for all categories during the first agreement year constituted an element in the total package; and that 1983 access for categories 4 to 8 taken together was marginally higher than 1982 trade. The TSB noted that both parties, in an exchange of letters attached to the agreement, had agreed that any commitment resulting from these expressions of goodwill had been discharged upon conclusion of the agreement under review.

10. After its review, the TSB decided to transmit this notification to the Textiles Committee (COM.TEX/SB/925), and made the observations contained in paragraph 11 below.

¹See paragraph 22 of the report of the sixth 1983 meeting (COM.TEX/SB/841). General observations on Articles 7, 8 and 11 of this agreement are contained in paragraphs 13 to 21 of the same report.

11. The TSB was of the view that its conclusions on this agreement had only been possible by taking into account the particular negotiating circumstances of this agreement as set out in paragraph 9 above. The TSB recalled the basic objectives of the Arrangement as laid down in Article 1:2 thereof, and that Article 4 and Annex B of the Arrangement established the principle that the restraint level for a subsequent period should be higher than the level specified in the preceding twelve-month period, and observed that any agreement should, when compared to the agreement that had preceded it, offer, on overall terms, improved access for the items under restraint. In its review of other agreements concluded under the 1981 Protocol, the TSB had encountered cases of quota reductions which: (a) stemmed from circumstances different from the ones prevailing in the negotiation of the EEC/Hong Kong agreement; and/or (b) served different purposes. The TSB had also been able to ascertain in those agreements that other elements contained therein provided, in overall terms, for an increased access to the importing market. For these reasons, the reviews of those agreements did not serve as precedents for the present review.

EEC/Sri Lanka

12. The TSB continued its review of the agreement between the EEC and Sri Lanka, and agreed to revert to the notification in its next meeting.

Communication under Article 11:4

Romania/United States

13. The TSB began its examination of a communication received under Article 11:4 from Romania, concerning product coverage in the bilateral agreement on wool and man-made fibre products between Romania and the United States.

14. The TSB heard statements from both parties, and agreed to continue its examination in the next meeting.