

# GENERAL AGREEMENT ON TARIFFS AND TRADE

CONFIDENTIAL  
TEX.SB/W/386\*  
4 April 1985

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## Textiles Surveillance Body

### DRAFT REPORT OF THE THIRD MEETING (1985)<sup>1</sup>

1. The Textiles Surveillance Body held its third meeting of 1985 on 25 and 26 March.
2. Present at this meeting were the following members and/or alternates: Messrs. Cartland/Sun, Hamza, Iversen/MacNeil, Kawaguchi, Keck, Rosselli/Paredes, Salim and Shepherd.
3. The report of the second meeting has been circulated in COM.TEX/SB/1050.

### Notifications under Article 4:4

#### EEC/China

4. The TSB continued its review of a notification from the EEC of a Supplementary Protocol concluded in 1984 to the EEC/China 1979 agreement on textiles trade, which had been previously renewed under its Article 22, for a further five-year period ending 31 December 1988.<sup>2</sup>

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<sup>1</sup>Hundred and eighty-third meeting overall

<sup>2</sup>The text of the agreement had been transmitted to the Textiles Committee under Articles 7 and 8, as China was not a participating country at the time of notification. (COM.TEX/SB/601)

\*English only/Anglais seulement/Inglés solamente

5. Under this Supplementary Protocol:

- (a) twenty categories were restrained at the Community level, and twenty-eight other categories were restrained in one or more Member states;
- (b) of the twenty categories restrained at the EEC level, restraint on one category was newly introduced, and four categories had previously been restrained at the regional level;
- (c) increases in base levels for Community restraints ranged between 5.9 and substantially above 6 per cent, and for regional restraints between 5 per cent and substantially above 6 per cent;
- (d) growth rates for Community restraints ranged between 0.5 and 6 per cent and for regional restraints between 4 and 6 per cent, resulting in compounded growth rates for categories under Community limits to range between 2.3 and higher than 6 per cent, and for most regional restraints to be higher than 6 per cent;
- (e) additional quotas were provided for some categories;
- (f) swing was set at 5 per cent, subject to certain limitations, with provision for additional swing between Categories 2 and 3;
- (g) carryover/carry forward was set at 5 plus 5 per cent.

6. During its review of the notification, the TSB took into account all the applicable elements of the agreement relevant to the Supplementary Protocol. The TSB did not, in its review, address those elements of the agreement that have not been modified by the Supplementary Protocol.

7. The TSB noted that under the Supplementary Protocol:

- (a) the price clause contained in the original agreement was dropped;
- (b) the basket exit threshold levels were raised;
- (c) a quota adjustment clause was introduced;
- (d) a clause related to problems of circumvention was introduced;
- (e) the clause relating to re-imports after processing, and provisions relating to hand-loom products, were modified to bring them into line with similar provisions in other EEC agreements;
- (f) a declaration was included on Article 3, paragraph 2, of the agreement concerning the utilization by China of certain limits to the benefit of the EEC textile industry.

8. With respect to the provisions listed in paragraph 7(b), (c), (d) and (e), the TSB's earlier observations also apply.<sup>1</sup>

9. The TSB had an in-depth discussion of the relationship to the MFA of the provision listed in paragraph 7(f) above. Following this discussion, in which several views were expressed, the TSB decided not to pursue the matter at this stage, but may revert to it at a later date.

10. The TSB took the view that any further modifications of the agreement should be notified for review by the TSB on their conformity with the MFA.

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<sup>1</sup>COM.TEX/SB/841, paragraphs 13 to 21 and COM.TEX/SB/935, paragraphs 8 to 12.

11. After its review, the TSB agreed to transmit the notification to the Textiles Committee. (COM.TEX/SB/1051)

United States/Malaysia

12. The TSB received a notification from the United States of a provisional six-month extension of its agreement with Malaysia, beginning 1 January 1985. The TSB was informed by the United States that the extension has been superseded by a new agreement between the parties, which shall be notified after the completion of necessary formalities. The TSB agreed to transmit the notification to the Textiles Committee.  
(COM.TEX/SB/1052)

United States/Romania

13. The TSB received a notification from the United States of its new bilateral agreement on wool and man-made fibres concluded with Romania for the period 1 January 1985 to 31 December 1989.

14. In this agreement:

(a) previous restraints on Group III, and on eight categories or merged categories were maintained;

(b) increases in base levels and growth rates for man-made fibre categories were 7 per cent, except for one category, where the increase in base level and growth rate was set at 3 per cent. Increases in base levels and growth rates for wool categories were set at 1 per cent;

(c) adjustments were made in the levels for two categories (Categories 604 and 645/6) in settlement for special carry forward in the last agreement year of the previous agreement;

(d) swing for man-made fibre categories was available at 7 per cent, and for wool categories at 5 per cent;

(e) carryover and carry forward were available at 11/6 per cent, with no carryover in the first agreement year;

(f) previous designated consultation levels on Group II and certain categories were maintained, while categories not under specific limits or designated consultation levels were subject to minimum consultation levels.

15. Taking into account all the elements contained in this agreement, including those listed in paragraph 14 above, the TSB found that the agreement was consistent with Article 4 of the Arrangement. Bearing also in mind the comments it had previously made with regard to the situation of the wool sector in the United States, the TSB agreed to transmit the notification to the Textiles Committee. (COM.TEX/SB/1053)

#### Canada/Sri Lanka

16. The TSB received a notification from Canada of a new bilateral agreement concluded in 1984 with Sri Lanka for the period 1 January 1983 to 31 December 1986.

17. During its review, the TSB noted that the previous agreement (see COM.TEX/SB/525) had ended on 31 December 1981. The TSB was informed by Canada that pending the conclusion of a new agreement the parties had reached an informal understanding extending the 1981 restraints into 1982 at the same levels.<sup>1</sup>

18. In this agreement:

(a) restraints in place on two products (shirts, tailored-collar and jackets) were maintained and restraints were introduced on two products (trousers and work gloves);

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<sup>1</sup>Canada was not a participant in the Arrangement during the period 1 January to 11 July 1982.

(b) increases in restraint levels over 1982 for previously restrained products were 9.2 and 15.8 per cent;

(c) base levels for the newly restrained products were much higher than the relevant roll-back levels;

(d) growth rates were set at 6 per cent, with 7 per cent for the last agreement year with respect to one product (jackets);

(e) swing was available at 7 per cent, with no swing between categories falling in different groups;

(f) carryover and carry forward were available at 11/6 per cent;

(g) the cumulative use of flexibility was set at 15 per cent.

19. After its review, the TSB agreed to transmit the notification to the Textiles Committee. (COM.TEX/SB/1054)

20. The TSB also received a notification from Canada of an amendment to its agreement with Sri Lanka.

21. Under the amendment:

(a) restraints were introduced on underwear and on blouses and T-shirts from 1 July 1984;

(b) base levels were set substantially above the roll-back levels; and growth rates at 6 per cent.

(c) product coverage was extended to include certain fabrics, other clothing, and made-up items;

(d) consultation provisions with respect to products not under restraint were agreed upon.

22. After its review, the TSB agreed to transmit the notification to the Textiles Committee. (COM.TEX/SB/1055)

United States/Romania

23. The TSB received a notification from the United States of a modification of its agreement on cotton products with Romania. Categories 347 and 348 (cotton trousers) previously subject to designated consultation levels were merged, and brought under specific limits from the second (1984) agreement year, with growth set at 7 per cent.

24. After its review, the TSB agreed to transmit the notification to the Textiles Committee. (COM.TEX/SB/1056)

United States/Hong Kong

25. The TSB received a notification from the United States of a further modification of its agreement with Hong Kong. Under the consultation provisions of the agreement, the United States elected to convert the 1984 limits on Categories 337, 359-V (vests), 359-I (infant sets), 359-C (coveralls), 369-T (shop towels), 605-T (thread), 649, 652, 659-S (knit swimwear) and 659-C (coveralls) into specific limits for the agreement period beginning 1 January 1985, with the growth rate at 2 per cent.

26. During its review, the TSB noted that the consultation provisions contained in the agreement had been correctly followed, and that Hong Kong had reserved its rights in bilateral negotiations, leaving the possibility for it to request further bilateral consultations with respect to those categories where the United States had invoked the formula contained in the consultation provisions in establishing the 1984 limits. The TSB agreed to transmit the notification to the Textiles Committee. (COM.TEX/SB/1057)

United States/Korea

27. The TSB received a notification from the United States of further modifications of its agreement with Korea. Under the consultation provisions contained in the agreement, limits were established for 1984 on Categories 300/301, 337, 436, 438, 359-V (vests), 459-WH (woven headwear), 659-S (swimwear) and 659-C (coveralls), and converted by decision of the United States into specific limits for the agreement period from 1 January 1985. Growth rates were set in accordance with the consultation provisions at 2.5 per cent for cotton and man-made fibre categories and at 1 per cent for wool categories. The TSB agreed to transmit the notification to the Textiles Committee. (COM.TEX/SB/1058)

Notifications under Articles 7 and 8

EEC/China

28. The TSB received a notification from the EEC of regional restraints introduced under the EEC/China agreement during the period 1980-1983. These restraints were introduced when China was not a participating country, and the TSB agreed to transmit the notification to participating countries, for information. (COM.TEX/SB/1059)