

GENERAL AGREEMENT ON TARIFFS AND TRADE

CONFIDENTIAL

TEX.SB/W/44
27 May 1975

Textiles Surveillance Body

DRAFT REPORT OF THE SIXTH AND SEVENTH MEETINGS

1. The TSB held its sixth and seventh meetings of 1975 on 17 and 18 April and on 29 April to 2 May. The report of the fifth meeting was approved and has been circulated in document COM.TEX/SB/69.
2. The TSB reviewed a notification by Spain under Article 2:1 concerning the system of global quotas as it applied to textiles at the time of the coming into force of the Arrangement. These were formerly maintained for balance-of-payments reasons under Article XVIII of the GATT. A memorandum submitted by Spain on 28 February 1975 following a request made by the TSB in January 1975 had explained their restrictions in terms of Spain's present balance-of-payments situation as well as the current state of the textiles industry. The TSB noted that balance-of-payments considerations were outside its competence and that in this respect the Body must be guided by the views of the Balance-of-Payments Committee of the GATT, and by the related GATT Council decision of October 1973.¹ During a presentation of the memorandum by a Spanish delegation on 30 April², the TSB was informed that the Spanish authorities intended to bring their restrictions on textile imports into conformity with the MFA. Spain therefore requested an extension of the period allowed for bringing restrictions into conformity with the Arrangement, as envisaged

¹See BOP/R/68 and C/M/89 and 90.

²The memorandum was first considered by the TSB at its meeting of 3-5 March 1975.

in Article 2:2. The TSB concurred in an extension for not more than one year, taking into account the special nature of the case and the stage of economic development reached by Spain. It was noted that Spain had already scheduled consultations with some trading partners and intended shortly to initiate consultations with others with a view to the elimination of restrictions or their replacement by agreements under Article 3 or 4 of the Arrangement. The TSB requested that Spain should submit by 30 September 1975 a progress report on action taken. At this stage the TSB may make recommendations to the Spanish authorities. It also requested, in the light of its own obligation to submit a general report to the Textiles Committee on progress achieved by 30 June, that Spain should submit any available information before that date.

3. The TSB also completed, in the light of further information received, its review of a notification under Article 2:1 by Egypt, which has since been circulated to participating countries in document COM.TEX/SB/70. Three further notifications under Articles 3 and 4 of the Arrangement were reviewed and it was agreed that these too should be circulated. They are listed below, with the number of the document in which they have been circulated:

- (i) an agreement between Austria and Hong Kong under Article 3 (COM.TEX/SB/81);
- (ii) an agreement between the United States and Singapore under Article 2, paragraphs 2 (ii) and 4 (COM.TEX/SB/82);
- (iii) an agreement between Canada and Poland under Article 4 (COM.TEX/SB/76).

4. The TSB proceeded with the review of the reports on the status of restrictive measures submitted to it under Article 2, paragraph 4 of the Arrangement. This gave rise to a general discussion of the functions of the TSB in relation to its concurrence in the extension, by up to one year from 31 March 1975, of the period allowed for negotiations under Article 2. It was noted that such extensions required the concurrence of the TSB. This would be given on the assumption that both participants in the negotiations, following consultations, agreed on the necessity of the extension. It was recognized that though the parties concerned could not be expected to indicate in advance the date of the conclusion of the negotiations, the TSB should be informed of their starting date. In connexion with its review of the reports submitted by participants on actions taken by them to discharge their Article 2 obligations (as of 31 March 1975) the TSB may request reports within the period of extension on the progress of negotiations or other actions to be carried out within the approved period.

5. The TSB addressed itself to the question of the application of paragraph 2 of Article 2 in the second year of the Arrangement (i.e. the year starting from 1 April 1975). It was noted that paragraph 2 was clearly based on the premise that all unilateral quantitative restrictions, if not justified under the GATT, should have been terminated by 31 March 1975, unless subject to one of the options listed in Article 2, paragraph 2. It was also noted that in the case of alternative (ii) (bilateral agreements), provision was made for the extension of the negotiation period in exceptional cases by up to one year, following consultations by the concerned countries and with the concurrence of the TSB.

6. The question was raised, in cases where no action was completed in the first year of the Arrangement, whether or not the options contained in Article 2, paragraph 2, remained available.

7. In the context of this discussion, it was agreed that paragraph 2 of Article 2 should not be construed as obliging countries concerned, by excluding other options in the second Arrangement year, to conclude an agreement under Article 4.

8. It was noted with concern that, although reports under Article 2:4 should have been submitted before 31 March, the majority of participating countries had still not submitted them by the beginning of May. These countries were urged to fulfil their obligation under Article 2:4 as quickly as possible. The TSB agreed that the following reports should be circulated to participating countries for their information. In those cases where negotiations had not yet been completed, the TSB concurred in an extension of the time-limit in accordance with Article 2:2(ii). The numbers of the documents in which reports have been circulated are indicated:

- (i) Austria (COM.TEX/SB/75 and Add.1)
- (ii) India (COM.TEX/SB/74)
- (iii) Japan (COM.TEX/SB/77)
- (iv) Hong Kong (COM.TEX/SB/78)
- (v) United States (COM.TEX/SB/79)
- (vi) Egypt (COM.TEX/SB/73)
- (vii) Guatemala (COM.TEX/SB/72)
- (viii) Sri Lanka (COM.TEX/SB/80)

9. The TSB considered an indicative check-list of elements to be taken into account in their consideration of actions taken under Article 3 of the Arrangement. Measures taken under Article 3 must meet the provisions laid down in that Article, in Annexes A and B, and elsewhere in the Arrangement. A number of notifications submitted to the Textiles Surveillance Body have lacked the necessary supporting detail, and this has made it necessary to seek further information from the notifying countries, either as to the justification for their actions in terms of market disruption or as to the actions taken. In order to avoid delays and to assist the TSB in evaluating agreements in the light of these requirements, a check-list of the relevant considerations has been prepared. The TSB took the view that this could be of assistance to participating countries both in the negotiation of agreements under Article 3 and in their presentation for review by the TSB. A copy of the check-list is therefore annexed to this report.
10. It was agreed that the next meeting should be held on 4-6 June 1975.

ANNEX

Indicative Check-list of Elements to be Taken into
Account in Consideration of Article 3 Actions

1. Precise description of products covered, including BTN numbers where possible.
2. Existence of market disruption

A. Evidence of damage to the domestic industry

The existence of damage to the industry will be determined on the basis of an examination of a number of factors such as turnover, market share, profits, export performance, production, capacity utilization, employment, productivity, investments, and volume of disruptive and other imports.

Where any of these factors is relevant the latest available data for the sector of the industry affected by the imports in question should be shown, together with those for earlier years. Definitions and measures should be clearly indicated.

B. Sharp and substantial increase or imminent increase of imports

Data should be provided showing the level and rate of increase of imports over the latest available twelve-month period as compared with previous twelve-month period(s):

- (i) of the products subject to restriction;
- (ii) of comparable products imported from other participants in the MFA;
- (iii) of comparable products imported from non-participants.

Quantities should be defined in accordance with normal commercial practice.

If a request is based on an imminent threat of a sharp and substantial increase in imports, evidence for the existence of this threat should be provided.

C. The price criteria

The following information should be provided:

- (i) the landed and duty-paid price of the restricted products;
- (ii) the ex-factory price of domestic products of comparable quality;
- (iii) the landed and duty-paid price of products of comparable quality imported from other MFA participants;
- (iv) the landed and duty-paid price of products of comparable quality imported from non-participants.

D. Interests of the exporting country

Show that due account has been taken of the requirements of paragraph III of Annex A and paragraph 7 of Article 3.

3. Conformity with Annex B of measures taken

A. What was the level of imports of the products restrained during the twelve-month period terminating two months, or where appropriate, three months, before the request for restraint was made?

B. Were these imports previously subject to restraint? If so, at what level?

C. What is the growth factor provided in accordance with paragraphs 2 and 3 of Annex B? If a growth factor lower than 6 per cent is provided, state reasons.

D. What provision is made for swing between products and groups of products under restraint as required by paragraph 5 of Annex B?

E. What provision is made for carry-forward and carry-over as required by paragraph 5 of Annex B?

4. Equity

Where like products of comparable quality are imported

(i) from other participants

(ii) from non-participants

indicate the treatment accorded to them, having regard to the equity provisions of Articles 8(3) and 3(2).

5. Special treatment for developing countries

A. Is the exporting country a developing country? If so, is it:

(i) a new entrant to this sector of the market;

(ii) a small supplier?

B. If so, has special treatment been accorded in terms of paragraphs 1 and 3 of Article 6 and of paragraph 4 where cotton textiles are concerned?

6. Indicate the paragraph of Article 3 under which action has been taken.