

GENERAL AGREEMENT ON

TARIFFS AND TRADE

CONFIDENTIAL

TEX.SB/W/456*

4 August 1987

Textiles Surveillance Body

DRAFT REPORT OF THE TENTH MEETING (1987)¹

1. The Textiles Surveillance Body held its tenth meeting of 1987 on 22-24 July.
2. Mr. Lau appointed Miss Yvonne Choi (Hong Kong) as his alternate for the period 14 July to 11 September 1987.
3. Present at this meeting were the following members and/or alternates: Mr. Boisson, Miss Choi, Messrs. Koda, Portugal, Randhawa, Salim, Shepherd and Wright.
4. The report of the ninth meeting has been circulated in COM.TEX/SB/1299.

Notifications under Article 3:5

United States/China

5. With respect to the measures notified by the United States on imports of Categories 833 and 847 from China, the TSB had, in order to review the measures under Article 3:5, invited both parties to present their cases.² China requested the TSB to defer its examination of the measures to its first meeting in September, since bilateral consultations with the United States had been scheduled for 22-24 July.

¹Two hundred and fifteenth meeting overall

²See COM.TEX/SB/1299

*English only/anglais seulement/inglés solamente

6. On being informed that the United States was in agreement with this request, the TSB asked both parties to report on the results of their bilateral consultations and decided that, if necessary, it would review the case in September.

Notifications under Article 4

United States/Macao

7. The TSB received a notification from the United States of an extension and modification of its agreement with Macao, according to which the agreement which was scheduled to expire on 31 December 1988 was extended to 31 December 1991, with the modified provisions superseding in full the 1987 and 1988 agreement years.

8. In this modified agreement:

- (a) product coverage was extended to include vegetable fibres other than cotton, and silk blends;
- (b) new restraints were agreed on three categories or merged categories, of which two included products of the new fibres, and in four cases restraints were extended to include the new fibres;
- (c) new designated consultation levels were agreed for seven products;
- (d) the 1987 levels for the aggregate and Group I (covering all categories except wool) limits were 4.9 and 4.1 per cent higher than the sum of the previous 1987 levels and 1986 imports of products of other vegetable fibres and silk blends;
- (e) the base levels of the three new restraints were higher than the reference levels by more than 6 per cent in one case and by substantially more than 6 per cent in two cases; in the other cases increases in base levels could not be calculated;
- (f) growth rates in all cases, including those categories already under restraint, continued to apply at 6.25 per cent for non-wool categories and 1 per cent for wool categories, except in one case (Category 845/846) where the growth rate was 0.5 per cent;
- (g) flexibility provisions of the agreement continued to apply; namely, swing at 7 per cent for Group I limit, and all categories within the Group, 3 per cent for the Group II (wool) limit with 5 per cent for all categories within this Group; and carryover/carry forward at 11/6 per cent;

- (h) a consultation provision was included with respect to the adoption of the Harmonized System by the United States.

9. During its review, the TSB noted that in all cases where restraints included new fibres, there had been previous imports from Macao of products of these fibres.

10. After its review, the TSB agreed to transmit the notification to the Textiles Committee. (COM.TEX/SB/1300)

United States/Mexico

11. The TSB began its review of a notification from the United States of an amendment of its agreement with Mexico.

United States/Hungary

12. The TSB received a notification from the United States of a further amendment of its bilateral agreement with Hungary, scheduled to expire on 31 December 1987.

13. Under this amendment, product coverage was extended to include Categories 434 (other wool coats for men and boys) and 645/646 (man-made fibre sweaters), with agreed restraints on the former effective 1 November 1986, and on the latter from 1 January 1987. These restraints would remain in effect until 31 December 1988.

14. Base levels were more than 6 per cent above the reference levels, with swing built-in the level for Category 645/646. The growth rate for Category 645/646 for 1988 was 6 per cent. Swing for Category 434 was available at 5 per cent. Provision for carryover/carry forward was at 11/6 per cent.

15. The TSB heard a statement from the United States that the parties had agreed to no growth between the 1987 and 1988 agreement years for Category 434, due to their agreement of commencing the first restraint period on 1 November instead of 1 October 1986, and by agreeing to the

initial restraint period for fourteen months, thereby enhancing carryover/carry forward; furthermore, the parties did not consider this as a decision to have no growth for this Category in any future extension of the agreement.

16. After its review, the TSB agreed to transmit this notification to the Textiles Committee. (COM.TEX/SB/1301)

EEC/Romania

17. The TSB received a notification of an agreement initialled between the EEC and Romania, in de facto application from 1 January 1987 and valid until 31 December 1991.

18. In this agreement:

- (a) the product coverage remained unchanged;
- (b) three Community limits and one regional restraint were terminated;
- (c) base levels of Community restraints were increased over 1986 limits by less than 6 per cent in eleven cases, by 6 per cent in three cases, and by more than 6 per cent in two cases; in ten cases the changes in base levels could not be calculated due to modifications in product coverage resulting from categorization changes; for the eleven regional limits, the increases in base levels were lower than 6 per cent in two cases, higher than 6 per cent in four cases, substantially higher than 6 per cent in two cases and could not be calculated in three cases;
- (d) annual growth rates for Community restraints falling within Groups I and II were lower than 6 per cent in all but two cases, and were at 6 per cent for the six categories falling in Group III; for the regional restraints, growth rates were 5 per cent in five cases and 6 per cent in six cases. All these rates were higher than in the previous agreement, except in one case, where it was unchanged;
- (e) as in the previous agreement, no swing was available for Category 1; for other categories swing, while subject to limitations, was available at 4 or 5 per cent and was more favourable to Romania than in the previous agreement;

- (f) carryover at 7 per cent was higher than in the previous agreement, while carry forward at 5 per cent was unchanged. Cumulative flexibility set at 13 per cent for Group I and 13.5 per cent for Groups II and III was higher than in the previous agreement;
- (g) additional access was available in the case of two categories, as five children's garments would be counted as three quota units for up to 5 per cent of the limits.

19. In relation to the price clause contained in Article 5 of the agreement, the TSB reiterated its earlier statements¹ that such a price clause falls 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.

20. After its review, the TSB agreed to transmit this notification to the Textiles Committee.² (COM.TEX/SB/1302)

EEC/Czechoslovakia

21. The TSB received a notification of an agreement initialled between the EEC and Czechoslovakia, in de facto application from 1 January 1987 and valid until 31 December 1991.

22. In this agreement:

- (a) the product coverage remained unchanged;
- (b) one Community limit and eleven regional restraints were terminated;
- (c) base levels of Community restraints were increased over 1986 limits by less than 6 per cent in fourteen cases, by 6 per cent in two cases and by more than 6 per cent in five cases; they were

¹See, for instance, COM.TEX/SB/457, paragraph 6; 477, paragraph 5; 935, paragraph 16; 1272, paragraph 22.

²For general observations on this agreement, see COM.TEX/SB/1272, paragraphs 27-38, and COM.TEX/SB/1294, paragraph 33.

- lower than the 1986 levels in two cases and in fourteen cases the changes in base levels could not be calculated due to modifications in product coverage resulting from categorization changes. For the ten regional limits, the increases in base levels over 1986 limits were less than 6 per cent in three cases and more or substantially more than 6 per cent in six cases, while in one case the change could not be calculated due to the modification in product coverage of the category in question;
- (d) annual growth rates of Community restraints varied between 1 and 6 per cent, being in all but three cases below 6 per cent; they were, however, all higher than in the previous agreement, except in two cases, where the rates remained unchanged. For the regional limits, annual growth rates varied between 1.5 and 5.5 per cent, and were in all cases both below 6 per cent and higher than in the previous agreement;
 - (e) swing, while subject to limitations, was available at 2 per cent into one category and at 4 or 5 per cent for the other categories, and was generally more favourable to Czechoslovakia than in the previous agreement;
 - (f) carryover at 7 per cent was higher than before, while carry forward at 5 per cent remained unchanged. Cumulative flexibility at 13 per cent for Group I and 13.5 per cent for Groups II and III was higher than in the previous agreement;
 - (g) additional access was available in the case of three categories as for up to 5 per cent of the limits five children's garments would be counted as three quota units.

23. With respect to the reduction in base levels for two categories, the TSB heard a statement from the EEC that some quota had been transferred between categories in order to respond to Czechoslovakia's export aspirations.

24. In relation to the price clause contained in Article 5 of the agreement, the TSB reiterated its earlier statements¹ that such a price clause falls 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

¹See, for instance, COM.TEX/SB/457, paragraph 6; 477, paragraph 5; 935, paragraph 16; 1272, paragraph 22.

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.

25. After its review, the TSB agreed to transmit the notification to the Textiles Committee.¹ (COM.TEX/SB/1303)

United States/Philippines

26. The TSB received a notification from the United States of a bilateral agreement concluded with the Philippines for the period 1 January 1987 to 31 December 1991, superseding the three-month extension of the previous agreement.

27. In this agreement:

- (a) product coverage was extended to include apparel of other vegetable fibres and silk blends;
- (b) the distinction between the traditional (children's apparel) and non-traditional (adult apparel) categories ceased to apply;
- (c) the aggregate limit in the previous agreement was replaced by two groups: Group I (all categories under specific limit) and Group II (all other categories) which was subject to a limit, resulting in total access for the first agreement year more than 6 per cent above the aggregate limit of the last agreement year of the previous agreement plus 1986 trade in apparel of the fibres mentioned in (a) above;
- (d) previous restraints on four categories and one part category were liberalized;
- (e) new restraints were agreed on one category, two merged categories and two part categories;
- (f) base levels for restrained categories were in six cases reduced, with substantial reductions in four cases; unchanged in five cases; increased by more than 6 per cent in twenty cases, with substantial increases in a number of cases; in three cases it was not possible to calculate the changes in base levels;

¹For general observations on this agreement, see COM.TEX/SB/1272, paragraphs 27-38, and COM.TEX/SB/1294, paragraph 33.

- (g) annual growth rates were set at 9 per cent for Group II, 1 per cent for the wool categories, and between 4 and 6 per cent for the other categories (except in one case where it was 2 per cent); these growth rates were lower than in the previous agreement in four cases; in the other cases they were the same or higher;
- (h) swing was available at 7 per cent with additional swing for two categories and was more favourable to the Philippines than in the previous agreement;
- (i) carryover/carry forward at 11/6 per cent were higher than in the previous agreement;
- (j) the previous system of consultation levels for categories not subject to specific limits was replaced by a consultation procedure;
- (k) provision was made for consultations on any changes in the agreement resulting from the adoption of the Harmonized System by the United States.

28. With respect to the changes in base levels listed in sub-paragraph 27(f) above, the TSB heard a statement from the United States that the reductions in some base levels and large increases in others were agreed to take account of changes in the trade interests of both parties.

29. After its review, the TSB agreed to transmit the notification to the Textiles Committee. (COM.TEX/SB/1304)

Notification under Articles 7 and 8

United States/Democratic Republic of Germany

30. The TSB received a notification from the United States of a bilateral agreement concluded with the Democratic Republic of Germany for the period 1 January 1987 to 31 December 1989. This notification was made under Articles 7 and 8 in accordance with the request made by the Textiles Committee that agreements concluded with non-participants be notified. The TSB is forwarding the text of the notification to participating countries for information. (COM.TEX/SB/1305)

Notifications under Article 11

Japan/Finland

31. The TSB received further information regarding the notification from Japan made under Article 11.¹ It also received a notification under Article 11 from Finland, and took note of both. These notifications will be submitted to the Textiles Committee at the time of the presentation of the TSB's annual report.

Discussions relating to Article 6:6 of the MFA and to paragraph 24 of the 1986 Protocol of Extension

32. The TSB had general discussions relating to Article 6:6 of the Arrangement and to paragraph 24 of the 1986 Protocol of Extension.

¹ COM.TEX/SB/1299