

GENERAL AGREEMENT ON

CONFIDENTIAL

TARIFFS AND TRADE

TEX.SB/W/466*
10 November 1987

Textiles Surveillance Body

DRAFT REPORT OF THE FIFTEENTH MEETING (1987)¹

1. The Textiles Surveillance Body held its fifteenth meeting of 1987 on 2-3 November.
2. Present at this meeting were the following members and/or alternates: Messrs. Koda, Lau/Choi, Mazzocchi, Portugal, Säilä/Wright, Salim and Shepherd.
3. The report of the fourteenth meeting has been circulated in COM.TEX/SB/1328.

Notifications under Article 4

Canada/Korea

4. The TSB received a notification from Canada of a bilateral agreement concluded with Korea for the period 1 January 1987 to 31 December 1991.
5. In this agreement:
 - (a) fibre coverage was extended to include silk blends and blends of vegetable fibres other than cotton for four clothing categories and the sub-category of a further clothing category;
 - (b) restraints on two non-clothing categories and parts of three non-clothing categories were liberalized;
 - (c) base level increases over previous levels for categories without any fibre modification varied between 0.3 and 1.5 per cent; for categories with extended coverage the increases in base levels over previous levels plus 1986 imports of products of new fibres varied between 0.6 and 18.7 per cent, except in two cases where it was not possible to calculate the change, and one case where there was a reduction; base levels increases for the non-clothing categories were higher and in some cases substantially higher than 6 per cent over previous levels;

¹Two hundred and twentieth meeting overall

- (d) growth rates for clothing categories ranging between 0.3 and 0.85 per cent were in all cases lower than in the previous agreement; for the non-clothing categories the growth rates, between 4 and 10 per cent, remained unchanged;
- (e) swing was available between 2 and 7 per cent with no swing between clothing and non-clothing categories;
- (f) carryover/carry forward ranged between 6/3 and 11/6 per cent with the cumulative use of flexibility between 6 and 18 per cent;
- (g) additional access was available in all clothing categories, except one, as five children's and infants' garments would be counted as three quota units; in one case (winter outergarments) up to 15 per cent of the limit was for children's and infants' garments.

6. The TSB heard a statement from Canada that the growth and flexibility provisions had been agreed pursuant to paragraph 10 of the 1986 Protocol.

7. During its review the TSB noted, on the one hand the decrease in the base level for one clothing category, as well as the lower growth rates for all clothing categories, and on the other hand the liberalization of restraints mentioned in paragraph 5(b) above, as well as the increases in base levels of non-clothing categories, in several cases substantially higher than 6 per cent.

8. In reviewing this notification, the TSB took into account its general observation relating to paragraph 24 of the 1986 Protocol¹ and the information provided by Canada that there had been imports from Korea of products made of fibres specified in paragraph 24 in the case of all restrained categories with coverage extended to include those fibres.

9. After its review, the TSB agreed to transmit the notification to the Textiles Committee. (COM.TEX/SB/1329)

Canada/Indonesia

10. The TSB received a notification from Canada of a bilateral agreement concluded with Indonesia for the period 1 January 1987 to 31 December 1991.

¹ See COM.TEX/SB/1328

11. In this agreement:

- (a) fibre coverage was extended for most items by the inclusion of silk blends and blends of vegetable fibres other than cotton;
- (b) all previous restraints (ten categories or part categories and one merged category) were maintained. They were all expanded to include products of paragraph 24 fibres at levels 6 per cent over previous levels of restraint;
- (c) for three categories, an additional 5 per cent of each restraint level was available for garments made of traditional folklore fabrics;
- (d) growth was set at 6 per cent and was lower than before for one category;
- (e) swing between 5 and 7 per cent remained unchanged from the previous agreement;
- (f) carryover and carry forward were set at 7 and 5 per cent with cumulative use of flexibility at 15 per cent;
- (g) additional access was available in all except two cases as five children's and infants' garments would be counted as three quota units;
- (h) categories not under restraint were subject to a consultation mechanism.

12. In reviewing this agreement, the TSB gave particular attention to the fact that most of the categories covered by the agreement had been constructed so as to include without distinction fibres specified in paragraph 24 of the Protocol along with those specified in Article 12 of the Arrangement, noting that (i) this was the case for all categories under restraint and most of those subject to the consultation mechanism cited in paragraph 11(h) above; and (ii) there were no imports of paragraph 24 products from Indonesia in any of the categories concerned.

13. The TSB questioned the basis for this wide coverage of products made from paragraph 24 fibres when there had been no trade in such products and concluded that its general observation relating to paragraph 24 of the 1986 Protocol of Extension¹ was clearly applicable in this case. In this respect, the TSB reiterated:

¹See COM.TEX/SB/1328

- (i) its observation that such specific restraints were not envisaged under that paragraph;
- (ii) its understanding that specific restraints on products made of fibres specified in paragraph 24 should be introduced only if it was demonstrated that imports of such products were directly competitive with products made of fibres specified in Article 12 and were causing or aggravating market disruption or real risk thereof in the importing country.

14. The TSB requested the two countries to take this observation¹ into account.

15. After its review, the TSB agreed to transmit the notification to the Textiles Committee. (COM.TEX/SB/1330

United States/Sri Lanka

16. The TSB received a notification from the United States of a further amendment of its bilateral agreement with Sri Lanka.

17. In this amendment:

- (a) the coverage of the agreement was expanded to include four apparel categories of silk blends or vegetable fibres other than cotton;
- (b) restraints were agreed on seven categories or merged categories; of these, four were effective for the agreement period 1 June 1986 to 31 May 1988, one became effective 1 December 1986 and two became effective 1 January 1987;
- (c) products of silk blend and vegetable fibres other than cotton were included in three restraints, and products of vegetable fibres other than cotton in one;
- (d) base levels increases over the reference levels were much higher than 6 per cent for one wool category, one cotton category and one merged cotton/man-made fibre category. In the other cases, which included products of paragraph 24 fibres, the increases over the reference levels were much higher than 6 per cent in three cases and lower than 6 per cent in one case;

¹COM.TEX/SB/1328

- (e) growth rate was set at 6 per cent for all non-wool categories and at 1 per cent for the wool category;
- (f) swing was set at 6 per cent, with special swing at 5 per cent for one merged category for the first restraint period;
- (g) carryover/carry forward were available at 11/6 per cent;
- (h) additional flexibility for the first restraint period was available for two merged categories.

18. In reviewing this notification, the TSB gave particular attention to the restraints on categories including paragraph 24 fibres, as there were no imports of paragraph 24 products from Sri Lanka in any of the categories placed under restraint.

19. The TSB questioned the basis for the restraints on products made from paragraph 24 fibres when there had been no trade in such products and concluded that its general observation relating to paragraph 24 of the 1986 Protocol of Extension¹ was clearly applicable in this case. In this respect, the TSB reiterated its observation that such specific restraints were not envisaged under that paragraph.

20. Noting that the agreement between the parties included consultation provisions, the TSB recalled its understanding¹ that specific restraints on products made of fibres specified in paragraph 24 should be introduced only if it was demonstrated that imports of such products were directly competitive with products made of fibres specified in Article 12 and were causing or aggravating market disruption or real risk thereof in the importing country.

21. The TSB requested the two countries to take this observation,¹ including the understanding referred to in paragraph 20 above, into account.

22. The TSB noted that although the 1986 Protocol had come into force on 1 August 1986, one of the restraints including products of paragraph 24 fibres had been made retroactive to 1 June 1986. The TSB advised both parties to pay attention to this fact.

23. After its review, the TSB agreed to transmit this notification to the Textiles Committee. (COM.TEX/SB/1331)

¹ See COM.TEX/SB/1328

United States/Malaysia

24. The TSB reverted to its review of two modifications of the United States/Malaysia agreement.¹

25. Under these modifications, the product coverage was extended to include Category 842 (skirts of silk blends and vegetable fibres other than cotton) and restraints were agreed on four categories, merged or part categories. The base levels were set substantially above the reference levels and the applicable growth rates were 6 per cent for the non-wool categories, and 1 per cent for the wool category. Additional access was provided during the first restraint period² in the case of three of these new restraints. A restraint on one merged category included a product of the new fibres in which there had been no Malaysian exports to the United States (Category 842, skirts).

26. The TSB received a further notification from the United States of an extension and modification of its agreement with Malaysia. The agreement, scheduled to expire on 31 December 1989, was extended to 31 December 1991 with the modified provisions superseding in full the 1987, 1988 and 1989 agreement years, and modifications in specific limits becoming effective on 1 January 1987.

27. In the extension and modifications referred in paragraph 26 above:

- (a) the product coverage was extended to include apparel of silk blends and vegetable fibres other than cotton;
- (b) two Groups were established; Group I covering all categories under specific limit and Group II covering all other categories;
- (c) five categories, one merged category and one part category were further added to those previously under restraint, and a limit was set for Group II, with effect from 1 January 1987;
- (d) with effect from 1 January 1987 certain categories under specific limit were merged and some sub-limits were eliminated;

¹See COM.TEX/SB/1231, 1241, 1265 and 1276

²1.10.86 to 31.12.86 (Categories 342/642/842; 351/651); 1.9.86 to 31.12.86 (Category 605-T)

- (e) base level increases over 1986 imports for the new restraints were in all cases except one, more or substantially more than 6 per cent;
- (f) growth rates remained unchanged at 1 per cent for the wool categories and 6 per cent for other categories, the same rates applying for the new restraints; the growth rate for the Group II limit was set at 6.25 per cent;
- (g) swing was unchanged at 5 per cent for the specific limits and out of Group II, and was set at 10 per cent into the Group II limit;
- (h) carryover/carry forward were unchanged at 11/6 per cent.

28. When considering the restraint introduced on Category 842, referred to in the amendment cited in paragraph 25 above, the TSB recalled its general observation relating to paragraph 24 of the 1986 Protocol¹ and reiterated that such restraints were not envisaged under paragraph 24 of the Protocol when there had been no imports. It noted however that subsequently trade had developed in this category.

29. Noting that the consultation provisions of the extended agreement applied also to products of fibres specified in paragraph 24 of the 1986 Protocol, the TSB recalled its understanding that specific restraints on such products should be introduced only if it was demonstrated that imports of these products were directly competitive with products made of fibres specified in Article 12 and were causing or aggravating market disruption or real risk thereof in the importing country. The TSB requested the two countries to take this observation¹ into account.

30. The TSB noted the relatively low increase in one base level and the low growth rates applicable to the wool categories, and heard a statement from the United States that these had been agreed taking into account other elements in the agreement, including those referred to in paragraph 27(d) and (e) above.

31. After its review, the TSB agreed to transmit the notifications to the Textiles Committee. (COM.TEX/SB/1332, 1333 and 1334)

¹See COM.TEX/SB/1328

EEC/Macao

32. The TSB received a notification from the EEC of a bilateral agreement with Macao in de facto application for the period 1 January 1987 to 31 December 1991.

33. In this agreement:

- (a) the product coverage remained unchanged;
- (b) two restraints at Community level and one restraint at the regional level were eliminated;
- (c) increases in base levels for the twenty Community restraints and thirteen regional restraints were less than 6 per cent in twenty cases; there were reductions in the base levels for two Community restraints; in the case of seven Community restraints and four regional restraints there were increases, but these could not be precisely calculated due to changes in coverage under the new categorization;
- (d) annual growth rates between 1 and 5 per cent were unchanged from previous growth rates for eleven Community and five regional restraints, higher for eight Community restraints and eight regional restraints; they were lower for one Community restraint;
- (e) swing, subject to limitations, at 4 and 5 per cent was more favourable to Macao than in the previous agreement;
- (f) carryover and carry forward available after consultations between 2 and 7 per cent and 1 and 5 per cent respectively. Cumulative use of flexibility was set at 12 per cent. Carryover and the cumulative use of flexibility were higher than in the previous agreement;
- (g) additional access was available in the case of five categories, as five children's garments would be counted as three quota units for up to 3 per cent of the limit in two cases and for up to 5 per cent of the limit in three cases;
- (h) additional quantities for outward processing traffic were agreed for two categories with growth at less than 6 per cent.

34. The TSB heard a statement from the EEC that the growth and flexibility provisions had been agreed pursuant to paragraph 10 of the 1986 Protocol of Extension.

35. The TSB also heard a statement by the EEC that the reductions in the levels of Categories 20 and 39 were agreed in order to take into account the true origin of previous imports into the Community.

36. After its review, the TSB agreed to transmit this notification to the Textiles Committee.¹ (COM.TEX/SB/1335)

EEC/Hungary

37. The TSB received a notification from the EEC of a bilateral agreement concluded with Hungary and in de facto application for the period 1 January 1987 to 31 December 1991.

38. In this agreement:

- (a) the product coverage remained unchanged;
- (b) six Community restraints and three regional restraints were removed;
- (c) increases in base levels were lower than 6 per cent for seven Community restraints and two regional restraints, higher (and in some cases substantially higher) than 6 per cent for eleven Community restraints; in eight cases it was not possible to calculate the precise increases due to changes in coverage resulting from the new categorization;
- (d) growth rates between 1 and 6 per cent were higher than in the previous agreement, except in one case where it was unchanged;
- (e) swing, while subject to limitations, at 4 and 5 per cent was more favourable to Hungary than in the previous agreement;
- (f) carryover and carry forward were available at 7 and 5 per cent. The cumulative use of flexibility at 13 per cent for Group I and 13.5 per cent for Groups II and III, and the carryover provision were higher than in the previous agreement;
- (g) additional access was available in the case of three categories, as five children's garments would be counted as three quota units for up to 3 per cent of the limit.

¹For general observations applicable to this agreement, see COM.TEX/SB/1272, paragraphs 27-31 and 34-38; 1294, paragraph 33 and 1314, paragraphs 11-13.

39. In relation to the price clause contained in Article 5, 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.

40. The TSB heard a statement from the EEC that, when agreeing on most growth rates and on the flexibility provisions in the agreement, the parties had taken into account other elements in the agreement, particularly those listed in paragraph 38(b) and (c).

41. After its review, the TSB agreed to transmit this notification to the Textiles Committee.² (COM.TEX/SB/1336)

EEC/Philippines

42. The TSB received a notification from the EEC of a modification of its bilateral agreement with the Philippines. A restraint was agreed on men's and boys' suits (Category 16) when imported into France, effective for the period 23 June 1987 to 31 December 1991.

43. The base level, which was much higher than the basket exit level, took recent imports from the Philippines into account. Growth was set at 6 per cent and the flexibility provisions of the agreement applied.

44. After its review, the TSB agreed to transmit the notification to the Textiles Committee. (COM.TEX/SB/1337)

¹See, for instance, COM.TEX/SB/457, paragraph 6; 477, paragraph 5; 935, paragraph 16 and 1306, paragraph 24.

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

EEC/Indonesia

45. The TSB received a notification from the EEC of a modification of its bilateral agreement with Indonesia. A restraint at the Community level was agreed with respect to cotton fabrics (Category 2). The restraint, which was agreed for the period 1 January 1987 to 31 December 1991, applied pro rata for 1987 from 23 June 1987 for France, from 7 August 1987 for Germany, Italy and the Benelux and from 12 September 1987 for Ireland, Denmark, Greece, Spain and Portugal. The regional restraint for the United Kingdom from 1 January 1987 was subsumed into the Community restraint.

46. The base level, which was much higher than the basket exit level, took into account recent imports from Indonesia. Growth was set at 4 per cent and the flexibility provisions of the agreement applied. Supplementary quantities were agreed for the 1987 agreement year.

47. After its review, the TSB agreed to transmit the notification to the Textiles Committee. (COM.TEX/SB/1338)

EEC/Thailand

48. The TSB received a notification from the EEC of a further modification of its agreement with Thailand. A restraint on knitted suits for men and boys (Category 75) was agreed when imported into France for the period 1 January 1987 to 31 December 1991.

49. The base level was much higher than the basket exit level and took recent imports from Thailand into account. An additional quantity was agreed for the 1987 agreement year. Growth was set at 6 per cent and the flexibility provisions of the agreement applied.

50. After its review, the TSB agreed to transmit the notification to the Textiles Committee. (COM.TEX/SB/1339)

EEC/Korea

51. The TSB received a notification from the EEC of modifications of its agreement with Korea. The parties agreed to:

- (a) restraints until 31 December 1991 on synthetic filament yarn (Category 41) when imported into Spain, effective from 1 January 1987, and into Italy, effective 1 July 1987, with the growth rate at 4.5 per cent; and
- (b) a restraint on woven fabrics of continuous artificial fibres (Category 36) for the period 1 January 1987 to 31 December 1991 when imported into France; the growth rate was set at 6 per cent.

52. In all cases the base levels were much higher than the relevant basket exit levels and took into account the recent imports from Korea of the products concerned. The flexibility provisions of the agreement applied.

53. After its review, the TSB agreed to transmit the notification to the Textiles Committee. (COM.TEX/SB/1340)

EEC/Poland

54. The TSB received a notification from the EEC of a modification of its bilateral agreement with Poland. A restraint on knitted trousers and shorts (Category 28), when imported into France, was agreed for the period 1 January 1987 to 31 December 1991.

55. The base level was much higher than the basket exit level, and took recent imports from Poland into account. The growth rate was set at 5 per cent and the flexibility provisions of the agreement applied.

56. After its review, the TSB agreed to transmit the notification to the Textiles Committee. (COM.TEX/SB/1341)