

GENERAL AGREEMENT ON

RESTRICTED

TEX.SB/W/504*
17 May 1989

TARIFFS AND TRADE

Textiles Surveillance Body

DRAFT REPORT OF THE FOURTH MEETING (1989)¹

1. The Textiles Surveillance Body held its fourth meeting of 1989 on 18 to 21 April.
2. Mr. Abdel-Fattah appointed Mr. Shalid Gulrez Yazdani (Pakistan) as his alternate for the meeting, and Mr. Koda appointed Mrs. Naoko Saiki (Japan) as his alternate to succeed Mr. T. Nakane.
3. Present at the meeting were the following members and/or alternates: Messrs. Abdel-Fattah, Choi/Lau, Gero/Wentzel, Koda/Mrs. Saiki, Messrs. Mazzocchi, de la Peña/Castro, Salim and Shepherd.
4. The report of the third meeting has been circulated in COM.TEX/SB/1472.

Measures taken under Article 3:5

Canada/Brazil

5. The TSB examined the notification made by Canada under Article 3:5 of unilateral measures taken with respect to imports of bedsheets and pillowcases from Brazil for the period 5 January 1989 to 4 January 1990.
6. The TSB heard statements from delegations of both parties. In its statement, the Canadian delegation presented the reasons why it considered that a situation of market disruption existed, thus justifying both the request by the Canadian government for Brazil to consult and, in the

¹Two hundred and thirty-ninth meeting overall

*English only/Anglais seulement/Inglés solamente

absence of a mutually agreed solution, the imposition of restraints under the terms of Article 3:5(i). In its statement, the Brazilian delegation presented the reasons why it considered that a situation of market disruption had not been demonstrated, thus justifying the request of the Brazilian government that the TSB recommend the immediate termination of the Canadian measures.

7. In their statements, both delegations made reference to their negotiations, started in 1988 and pursued into 1989, in search of an agreed solution under Article 4 of the Arrangement.

8. The TSB noted that those negotiations had progressed considerably, to the point that, in their latest round of consultations, the parties had agreed on all features of such an Article 4 agreement, except the level of the restraints applicable to pillowcases and to bedsheets.

9. In view of all preceding elements, the TSB recommended that the parties resume consultations forthwith, in order to reach an agreed solution.

10. The Body requested that the parties report back to it on the result of such consultations preferably no later than 23 May 1989; the TSB will revert to its examination of this case, if necessary.

Report on measures reviewed under Article 3:5

United States/Thailand

11. Further to the reports received at its previous meeting,¹ the TSB received a report from Thailand that the formal consultations on the

¹COM.TEX/SB/1467

composition of exports of Category 670-L, scheduled for 4 April 1989, had been postponed at the request of the United States and no new dates had been foreseen.

12. The TSB also heard a statement from the United States that it had conveyed to Thailand its decision not to seek a renewal of the restraint and to allow it to expire on 24 May 1989.

13. In view of the information outlined above, the TSB decided it would revert to the matter at its next meeting.

Notification under Article 4

EEC/China

14. The TSB received a notification from the EEC of a bilateral agreement concluded with China under Article 4 of the MFA and under the EEC/China Trade and Economic Co-operation Agreement, in de facto application from 1 January 1989 and valid until 31 December 1992. This agreement succeeded the previous ten-year agreement modified by the Supplementary Protocol for the period 1 January 1984 to 31 December 1988.

15. In this agreement:

- (a) the product coverage remained unchanged;
- (b) nine regional limits were liberalized; one restraint at the Community level and four regional restraints were introduced, resulting in twenty-two Community restraints and forty-two regional restraints;
- (c) increases in base levels over previous restraints or reference levels were less than 6 per cent for four Community and one regional restraints; in all other cases, the base level increases were higher or substantially higher than 6 per cent;

- (d) annual growth rates for the Community limits were set between 1.94 and 6 per cent and for regional restraints between 5 and 6 per cent; these rates were higher than in the previous agreement in all but six cases at the Community level and ten cases at the regional level;
- (e) swing, while subject to limitations was set at 7 per cent and was more favourable to China 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 remained unchanged. A cumulative rate of flexibility at 17 per cent was higher than in the previous agreement;
- (g) additional quantities for outward processing traffic were agreed for four categories at the Community level and for two categories for one region, with annual growth between 4.5 and 7.5 per cent;
- (h) additional access was available for three categories restrained at the Community level and one category restrained in five regions, as five children's garments would be counted as three quota units for up to 5 per cent of the relevant limits.

16. During its review, the TSB expressed concern regarding the conformity of the provisions contained in Articles 11 and 12 of the agreement with the MFA. In this respect the TSB heard a statement from the EEC that these Articles and Annex IV of the agreement were concluded under the Trade and Economic Co-operation Agreement and not under the provisions of the MFA; the EEC also stated that it did not intend to seek the inclusion of similar provisions in future MFA agreements with MFA participants.

17. After its review of the provisions of the agreement negotiated under the MFA, and taking into account that Articles 11 and 12 were not concluded

under the Arrangement, the TSB decided to transmit the notification to the Textiles Committee.¹ (COM.TEX/SB/1473)

Report for the Major Review

18. The TSB continued its discussions on its report to the Textiles Committee.

Other business

Communication regarding a recommendation made in respect of the
Canada/Czechoslovakia agreement

19. The TSB received a communication from Czechoslovakia in reply to its recommendation that Czechoslovakia agree to the Canadian initiative to eliminate the quota on Category 1 (trousers), in the Canada/Czechoslovakia agreement.²

20. Czechoslovakia informed the TSB that it did not see the necessity, in spite of the fact that the restraint levels on Category 1 (and sub-category 1A) have been under-utilized over the past several years, to remove them from the agreement as proposed by the Canadian authorities; if the Canadian authorities wished to review this problem, renewed negotiation about the restraint levels was necessary.

21. In the light of this reply to its recommendation, the TSB decided not to pursue the matter.

¹For general observations on this agreement see COM.TEX/SB/1272, paragraphs 28 to 38; COM.TEX/SB/1294, paragraph 33; COM.TEX/SB/1314, paragraphs 11 to 13.

²COM.TEX/SB/1450

Thailand/United States

22. The TSB received a notification from Thailand regarding requests for consultations made by the United States under Article 3 on Categories 635, 448 and 335. The TSB decided to review this matter at its next meeting and to invite delegations from both parties to present their respective cases.