

GENERAL AGREEMENT ON

CONFIDENTIAL

TEX.SB/W/576*

15 March 1993

TARIFFS AND TRADE

Textiles Surveillance Body

DRAFT REPORT OF THE FIRST MEETING (1993)¹

1. The Textiles Surveillance Body held its first meeting of 1993 on 3 to 5 March.
2. The following members and alternates were appointed:

Members

Mr. Alcides Prates (Brazil)
Mr. John Donaghy (Canada)
Mr. Dorian Prince (EEC)
Mr. Maamoun Abdel-Fattah (Egypt)
Mr. Kim Luotonen (Finland)
Mr. Yoji Ishimaru (Japan)
Mr. Sang-Hoon Kang (Korea)
Mr. Suboh M. Yassin (Malaysia)
Mr. Vasile Radu (Romania)
Mr. Robert E. Shepherd (United States)

Alternates

Mr. Gustavo Vanerio (Uruguay)
Mr. Johannes Potocnik (Austria)
Mr. David Daly (EEC)
Mr. Munir Ahmad (Pakistan)
Mr. Otto Wentzel (Norway)
Mrs. Naoko Saiki (Japan)
Mr. Andrew Wong (Hong Kong)
Mr. Wang Shichun (China)

3. Present at the meeting were the following members and/or alternates: Messrs. Abdel-Fattah/Munir, Donaghy, Ishimaru, Kang/Wong, Luotonen, Prates/Vanerio, Prince, Radu/Wang, Shepherd and Suboh.
4. The report of the last meeting of 1992 had been circulated in COM.TEX/SB/1816.

¹Two hundred and seventy-fifth meeting overall.

*English only/Anglais seulement/Inglés solamente

Notification under Article 2:1

Panama

5. Fulfilling the requirements of Article 2:1 of the MFA, Panama sent the TSB a notification on the status of restrictions it maintained on imports of textile products.

6. Panama notified that it maintains no restrictions on imports of textiles and clothing. This notification, made in December 1992, clarified earlier notifications made by Panama.

7. During its review, the TSB noted that Panama had acceded to the MFA on 15 January 1985, had not participated in MFA III, had accepted MFA IV on 7 January 1992 and is a participant under the 1992 Protocol extending the 1986 Protocol of Extension.

8. After its review, the TSB decided that Panama had fulfilled its obligations under Article 2:1 and agreed to transmit the notification to the Textiles Committee. (COM.TEX/SB/1817)

Notifications under Article 4

Finland/Sri Lanka

9. The TSB received a notification from Finland of an extension of its agreement with Sri Lanka for the period 1 January 1993 to 31 December 1994.

10. Under this extension:

- (a) the product coverage remained limited to one product, placed under restraint;

- (b) the 1993 level was 6 per cent higher than the previous restraint level;
- (c) the growth rate was set at 6 per cent;
- (d) carryover/carry forward remained unchanged at 11/6 per cent;
- (e) a separate additional quota was set for re-imports after processing (OPT).

11. After its review, the TSB agreed to transmit the notification to the Textiles Committee. (COM.TEX/SB/1818)

Extensions and amendments of EEC agreements

12. The TSB received notifications from the EEC of extensions of agreements initialled with Argentina, Bangladesh, Brazil, Peru, Sri Lanka and Uruguay, in de facto application from 1 January 1993 and valid until 31 December 1994, with provision for a further twelve-month extension. If the Uruguay Round agreement on textile trade were to enter into force before the expiry of the bilateral agreements, they would cease to be in effect.

13. These notifications contained a number of amendments common to all. As a result of the completion of the internal market of the EEC on 1 January 1993:

- (a) Regional shares: Breakdown of Community quotas into regional shares was eliminated. All provisions related to regional quotas (e.g., basket exit levels, inter-regional transfers) were deleted.
- (b) Elimination of the regional quantitative restrictions: All restrictions existing at regional level have either been eliminated or replaced by Community-wide restrictions. In the

bilateral agreements between the EEC and MFA signatories, of the 104 regional restrictions in force in 1992, seventy-four were eliminated and thirty were replaced by a smaller number (12) of Community-wide quotas. This was effected via application of the basket exit mechanism provided for in the bilateral agreements.

- (c) Regional concentration of imports: Provisions have been introduced in Agreed Minutes 1 to 4 of these extensions for consultations in the event either of certain regions being deprived of their traditional supplies or of sudden and prejudicial changes in trade flows into one or more regions of the Community; if no satisfactory solution is found during the consultations concerning regional concentration of imports, the EEC may ask the exporting country either to suspend the further issuing of export certificates destined for the region or regions concerned or to request temporary export limits for its region or regions concerned. Such measures would only affect direct imports into the regions concerned and would not be designed so as to affect the operation of the internal market.

14. The TSB heard a statement from the EEC that the term "circumvention" employed in the Agreed Minute No. 2 of these extensions referred to the interim arrangements for implementing Community quantitative limits, and not to Article 8 of the Arrangement and paragraph 16 of the 1986 Protocol of Extension.

15. In certain notifications the TSB noted cases of increases in base levels of less than 6 per cent, and that growth rates and/or swing for some categories were maintained at less than 6 per cent and less than 7 per cent, respectively. The TSB heard a statement from the EEC that the market conditions in the Community warranted the maintenance of such terms, which had been set pursuant to paragraphs 2 and 5 of Annex B. The TSB recalled the statements made by the EEC in relation to growth rates of

less than 6 per cent during its review of these agreements in 1987;² it reiterated that it would review each notification on a case-by-case basis.

16. Other provisions of the extensions applicable to each agreement are outlined in the paragraphs below.

EEC/Argentina

17. In the extension of the agreement between the EEC and Argentina:³

- (a) three categories continued under restraint;
- (b) the increases in base levels, though higher than the applicable growth rates, were lower than 6 per cent, except for a category which enjoyed a growth rate of 6 per cent;
- (c) the growth rates in the agreement, namely 6 per cent in one case and less than 6 per cent in the others, remained unchanged;
- (d) the flexibility provisions of the agreement remained unchanged.

18. After its review, the TSB agreed to transmit the notification to the Textiles Committee. (COM.TEX/SB/1819)

EEC/Brazil

19. In the extension of the agreement between the EEC and Brazil:⁴

- (a) all previous restraints at the Community level were maintained; regional restraints on one category were converted into a

²COM.TEX/SB/1272.

³See also paragraphs 12 to 15 above.

⁴See also paragraphs 12 to 15 above.

Community restraint; the remaining regional restraints were liberalized; a new restraint at the Community level was introduced on one category;

- (b) the increases in base levels for previously restrained categories were lower than 6 per cent, except for two cases where they were higher than 6 per cent; in all cases such increases were more than the applicable growth rates;
- (c) the base levels for the new restraints were in both cases higher than the relevant reference levels;
- (d) the growth rates were at 6 per cent in three cases, and lower than 6 per cent for the others; for the previously restrained categories they remained unchanged;
- (e) the flexibility provisions of the agreement remained unchanged.

20. After its review, the TSB agreed to transmit the notification to the Textiles Committee. (COM.TEX/SB/1820)

EEC/Bangladesh

21. The extension of the consultation agreement, including the provisions of the basket exit mechanism, between the EEC and Bangladesh, contained the modifications listed in paragraphs 12 to 14 above and also required Bangladesh to supply the Community with statistical information on export licenses issued for all products covered by the agreement. No restraints currently apply under the agreement.

22. After its review, the TSB agreed to transmit the notification to the Textiles Committee. (COM.TEX/SB/1821)

EEC/Peru

23. In the extension of the agreement between the EEC and Peru:^{5, 6}
- (a) two product categories continued to be under restraint;
 - (b) the increases in base levels were higher than 6 per cent;
 - (c) the growth rates of the agreement (one higher and the other lower than 6 per cent) remained unchanged;
 - (d) additional quantities continued to be annually available in Category 1;
 - (e) the flexibility provisions of the agreement remained unchanged.
24. After its review, the TSB agreed to transmit the notification to the Textiles Committee. (COM.TEX/SB/1822)

EEC/Sri Lanka

25. In the extension of the agreement between the EEC and Sri Lanka:⁷
- (a) the four categories subject to restraint remained unchanged;
 - (b) increases in base levels were in all cases more than 6 per cent higher than previous levels; they were all higher than the applicable growth rates;
 - (c) growth rates remained unchanged;

⁵This extension was also notified by Peru.

⁶See also paragraphs 12 to 15 above.

⁷See also paragraphs 12 to 14 above.

- (d) the flexibility provisions remained unchanged;
- (e) additional quotas for four categories for outward processing traffic (OPT) were given substantial increases over previous OPT quotas, with lower growth rates; however, compounded growth rates for these quotas were higher than previously.

26. After its review, the TSB agreed to transmit the notification to the Textiles Committee. (COM.TEX/SB/1823)

EEC/Uruguay

27. The consultation agreement, including the provision of the basket exit mechanism, between the EEC and Uruguay, was extended with the modifications listed in paragraphs 12 to 14 above. No restraints currently apply under the agreement.

28. After its review, the TSB agreed to transmit the notification to the Textiles Committee. (COM.TEX/SB/1824)

Notifications received under Article 4 and transmitted under Articles 7 and 8

29. The TSB received some notifications under Article 4 with respect to countries which had participated in the MFA until 31 December 1992, but had not as yet accepted the 1992 Protocol extending the Arrangement. The TSB decided to transmit these notifications for the information of participating countries under Articles 7 and 8. The TSB understood that it would review any of these notifications under Article 4, after the acceptance of the 1992 Protocol by any of the countries concerned, at the request of either party involved in the notification. The notifications are outlined below:

Norway/Singapore

30. The agreement between Norway and Singapore was extended and amended for the period 1 January 1992 to 31 December 1993. (COM.TEX/SB/1825)

Finland/Singapore

31. The agreement between Finland and Singapore was extended for the period 1 January to 31 December 1993. (COM.TEX/SB/1826)

EEC/Philippines

32. The agreement between the EEC and the Philippines was extended with amendments, and in de facto application for the period 1 January 1993 to 31 December 1994, with provision for a further twelve-month extension. (COM.TEX/SB/1827)

EEC/Colombia; EEC/Guatemala; EEC/Mexico

33. The agreements concluded by the EEC with each of Colombia, Guatemala and Mexico, providing for exchange of information, cooperation to avoid circumvention and the possibility for consultations in cases of market disruption or real risk thereof, were extended without any modifications to 31 December 1994, with the possibility for a further twelve-month extension.

34. Though these notifications were received under Article 4, the TSB, recalling that the agreements had originally been notified and transmitted under Articles 7 and 8, decided to transmit them under Articles 7 and 8. (COM.TEX/SB/1828, 1829 and 1830)

Notifications received under Articles 7 and 8

(a) **Notification concerning a participating country**

Finland/Malaysia

35. The TSB received a notification of the extension of the consultation and licensing agreement between Finland and Malaysia for the period 1 January to 31 December 1994. This agreement contains no restraints. The TSB agreed to transmit this notification for the information of participating countries. (COM.TEX/SB/1831)

(b) **Notifications concerning non-participants**

Finland/Thailand

36. The TSB received a notification from Finland of the extension of its export authorization and consultation agreement with Thailand for the period 1 January to 31 December 1994. The TSB is forwarding this notification for the information of participating countries. (COM.TEX/SB/1832)

Finland/Chinese Taipei

37. Finland notified a non-automatic import licensing procedure with respect to imports of certain textile products originating in Chinese Taipei. This notification was made in accordance with the request of the Textiles Committee that measures relating to non-participants be notified. The TSB is transmitting the notification for the information of participating countries. (COM.TEX/SB/1833)

Notification under Articles 8:4 and 11:5

Pakistan/United States

38. The TSB received a notification under Articles 8:4 and 11:5 from Pakistan referring charges made by the United States against 1992 quota limits on Categories 360 (pillowcases) and 361 (bedsheets), on account of alleged circumvention through transshipment.

39. Pakistan and the United States sent delegations which presented their respective cases.

40. In reviewing this case, the TSB considered that circumvention is a practice harmful to importing countries, to countries of origin not responsible for transshipment or re-routing of their exports, and to other exporting countries under quota, as circumvented products may take away market for their restrained products.

41. The TSB noted with concern that while consultations formally started on 22 April 1992, the United States took the unilateral decision of making adjustments to quotas when a new round of consultations was scheduled within the 120-day consultation period provided for in the bilateral agreement.

42. The TSB refrained - on an extraordinary basis, and without prejudice to the interpretation of the relevant provisions of the MFA and the 1986 Protocol of Extension - from making a recommendation within the period mentioned in Article 11:7, in view of its intention to seek further clarification from the United States on this matter at its next meeting starting on 31 March 1993. The TSB decided to invite both parties to send delegations to that meeting.

Notification under Article 3:5 - Report on bilateral consultations

United States/Bangladesh

43. According to its request, the TSB received reports from the United States and Bangladesh on their consultations regarding the unilateral measure introduced by the United States under Article 3:5 on imports of cotton and man-made fibre dressing gowns (Category 350/650) from Bangladesh.⁸

44. The parties reported that the consultations were still ongoing, and that they hoped to find a mutually acceptable solution.

45. The TSB took note of the reports and requested the parties to report on their consultations no later than 30 March 1993.

46. The TSB understood that it might revert to this matter at the request of either party or on its own initiative.

⁸ COM.TEX/SB/1816.