

# GENERAL AGREEMENT ON TARIFFS AND TRADE

CONFIDENTIAL

TEX.SB/W/9

3 July 1974

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## Textiles Surveillance Body

### DRAFT REPORT ON THE MEETING HELD ON 27-28 JUNE 1974

1. The Textiles Surveillance Body held its fourth meeting on 27-28 June, at the Villa Le Bocage.
2. The TSB approved the report on its third meeting which was subsequently circulated to the Textiles Committee in document COM.TEX/SB/18.
3. The TSB reverted to the question of justification of restrictions by participating countries in the Textiles Arrangement which are not contracting parties to the GATT, in the case that these restrictions were to be maintained in terms of Article 2 of the Textiles Arrangement. The TSB discussed the procedures to be evolved for such countries on the basis of a proposal put forward by the Chairman, with particular reference to the case of Mexico which had been brought before the TSB.
4. The TSB generally accepted that a balance of rights and obligations needs to be established as between parties to the Arrangement which are contracting parties to the GATT, and those which are not. It was noted that it would be important to have regard to the standards that would be applied to other participating countries having similar economic systems and levels of development, which are contracting parties to the GATT. Taking account, amongst other factors, of the foregoing the TSB considered that the justification for the maintenance of restrictions by Mexico could be assessed on the basis of a memorandum to be submitted by the Mexican authorities in this respect. The matter will be further discussed at the next meeting with a view to reaching a decision. It was,

nevertheless, stressed that any such procedure as may be agreed upon would not constitute any interpretation of the General Agreement, nor prejudice in any way the procedure to be followed were Mexico to accede to the GATT.

5. The TSB again discussed the question of how equity in treatment could best be assured between a member of the TSB and a non-member when their countries were both involved in a dispute. Following consultations with some participating countries, certain views were expressed in the TSB; consultations with others are continuing. In the light of the discussion in the TSB, and taking account of such views as may be expressed by other participating countries, the Chairman will put forward a paper to serve as a basis for further discussion in the hope of reaching a conclusion on this important matter at the next meeting.

6. The question of the date on which all existing restrictions described in paragraph 1 of Article 2 had to be notified was again raised. The issue was whether such a date would be the date of acceptance of, or accession to, the Arrangement by a participating country, or the date of the commencement of the Arrangement, as referred to in paragraph 11 of Article 11. There were differences of views on this subject, and the matter will be reverted to at a further meeting.

7. The TSB proceeded with its review of the notifications received from participating countries in accordance with paragraph 1 of Article 2 of the Arrangement. It had before it the additional notifications transmitted since the last meeting, together with the details and clarifications sought in connexion with certain notifications previously reviewed. Further clarifications or additional information were requested by members at this meeting, and the secretariat was asked to seek these from the participating countries concerned.

8. The TSB had also before it a notification of a bilateral agreement transmitted in accordance with paragraph 4 of Article 4 of the Arrangement. The review of this agreement gave rise to a discussion on the type of action specifically required of the TSB in this Article. The point was made that the TSB is empowered to satisfy itself that bilateral agreements concluded under Article 4 are in conformity with the provisions thereof, and that, in particular, the conditions laid down in paragraph 2 have been met.

9. In this connexion, it was suggested that an appropriate course of action would be for the TSB to request a statement from the parties concerned to the effect that such an agreement was entered into for the purpose of avoiding a real risk of market disruption, and ensuring the orderly development of trade and that, in their view, the agreement meets the requirements of Article 4. Some members felt that the TSB should not go beyond such a statement unless there was a specific complaint, while others felt that this should not preclude the TSB from seeking any such clarifications as it may deem necessary from the parties to the agreement. On the other hand, the point was made that if an agreement is concluded under Article 4 of the Arrangement and notified to the TSB as such, this should be taken in itself as a statement that both countries have fulfilled the requirements of Article 4, including those of paragraph 2.

10. As regards the recommendation by the TSB provided for in paragraph 4 of Article 4, the view was expressed that it would be inappropriate for the TSB to seek to make such recommendations in the absence of a motivated complaint brought before it; this view was not, however, shared by all members. The matter will be reverted to for further discussion at a forthcoming meeting.

11. It was decided that all bilateral agreements notified to the TSB under Article 4 of the Arrangement should be circulated for the information of all participating countries. All such agreements will be subject to the annual review by the TSB in terms of paragraph 12 of Article 11.

12. It was agreed that the next meeting of the TSB would be held on Thursday and Friday, 11 and 12 July 1974.