

WORLD TRADE ORGANIZATION

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REPORT (1998) OF THE TEXTILES MONITORING BODY

1. This report is presented by the Textiles Monitoring Body (TMB) pursuant to the decision adopted by the General Council on 15 November 1995 on the procedures for an annual overview of WTO activities and for reporting under the WTO (WT/L/105). It covers the period 13 November 1997 to 19 November 1998. During this period, the TMB held 12 meetings. The reports of these meetings are contained in G/TMB/R/38 to 49.¹

2. The present report provides an overview of the issues handled by the TMB, with the exception of those discussed at its last meeting (16-19 November 1998), which will be reflected in G/TMB/R/49.¹ For fuller details, reference is made to the respective reports of the TMB.

Notification under Articles 2.6 and 2.7(a), 2.8(a) and 2.11 of the Agreement on Textiles and Clothing (ATC): Communication Received from the European Community in Response to a Recommendation Made by the TMB

3. The TMB reviewed the notification received from the European Community of a revision of its notifications under Articles 2.6 and 2.7(a), 2.8(a) and 2.11 of the ATC. This notification followed the detailed review by the TMB (prompted by an Article 2.21 notification by Colombia, made also on behalf of a number of other WTO Members that are also members of the International Textiles and Clothing Bureau) of certain aspects of the European Community's first stage integration programme, in pursuance of which the TMB had made certain comments and findings, and had recommended that the European Community re-examine its first stage integration programme in light of the outcome of the TMB's review (see G/TMB/R/29, paragraphs 5 to 42). In its communication, the European Community stated that it accepted the TMB's findings. The revision resulted in changes to both its first and second stage integration programmes. The TMB took note of this communication together with observations which are contained in the report of the meeting (G/TMB/R/41, paragraphs 4 to 26).

Notifications under Articles 2.6 and 2.7(b), 2.8(a) and 2.11 of the ATC: Communications Received from Members in Response to Questions Put by the TMB

4. The TMB took note of responses by several Members to questions put by the TMB with a view to verifying whether the statistical information provided regarding integration referred, where appropriate, to those portions of the HS lines covered by the ATC and not to the entire respective HS 6-digit lines (see G/TMB/R/29, paragraphs 43 to 45). The TMB took note of the communications relating to the notification of the first stage of integration by Japan and Liechtenstein (G/TMB/R/38), Cyprus (G/TMB/R/43) and Sri Lanka (G/TMB/R/47). The TMB also took note of communications relating to the notification of the first and second stages of integration by Brazil, Hungary and Slovenia (G/TMB/R/38), Costa Rica and Thailand (G/TMB/R/39). The TMB, further, took note of communications relating to the notification of the second stage of integration by the Dominican Republic and Poland (G/TMB/R/38), Korea (G/TMB/R/39), Liechtenstein (G/TMB/R/41).

¹ G/TMB/R/49 will be issued later, upon its adoption by the TMB.

Notifications under Articles 2.8(a) and 2.11 of the ATC: Second Stage of Integration into GATT 1994 of Products Covered by the ATC

5. The TMB reviewed, under Article 2.21, the notifications made pursuant to Articles 2.8(a) and 2.11 by Brazil, the Dominican Republic, Hungary, Poland, Slovenia, South Africa and Turkey (G/TMB/R/38), Korea and Thailand (G/TMB/R/39), Bangladesh, Guatemala and Liechtenstein (G/TMB/R/41), Cyprus (G/TMB/R/43), Indonesia (G/TMB/R/47) and Honduras (G/TMB/R/48). With regard to those notifications for which the calculation of the share of the products integrated had been made on the basis of the volume of imports of a different base-year other than that of 1990, or on a value basis, the TMB ensured that no better data were available and that the Members concerned had followed the same approach as the notifications they had made pursuant to Articles 2.6 and 2.7(b).

6. The TMB started its review, under Article 2.21, of the programme of integration notified pursuant to Articles 2.8(a) and 2.11 by Paraguay and, seeking further information and clarification, decided to revert to its review at a subsequent meeting (G/TMB/R/43).

Notification under Articles 2.8(b), 2.10 and 2.11 of the ATC: Early Integration of Products Covered by the ATC

7. The TMB reviewed, under Article 2.21, the notification made pursuant to Articles 2.8(b), 2.10 and 2.11 by Turkey, and noted that Turkey had availed itself of the provisions of Article 2.10 to integrate with effect from 1 January 1998 some products, amounting to 29.07 per cent of the total volume of the Turkey's 1990 imports of the products covered by the ATC, which would form part of Turkey's third stage of integration (G/TMB/R/38).

Notifications under Article 2.15 of the ATC: Elimination of Restrictions Maintained Pursuant to Article 2

8. The TMB reviewed the notification made by the United States, under Article 2.15, of the elimination of restraints applied on imports of several product categories from Romania (G/TMB/R/38).

9. The TMB took note of a communication by Canada according to which, as of 1 January 1998, it had accorded "ex-quota treatment" to imports from all sources of: children's blouses and shirts of categories 7.3 and 8.1; women's and girls' knitted blouses and shirts of category 8.1; women's and girls' blouses and shirts of silk; women's and girls' blouses and shirts of tariff item 6206.90.00.00; saris of category 4.3; women's and girls' ensembles of category 4.1; babies' snowsuits; coats and jackets of category 14.1; and rainwear of category 1.3. In addition, Canada had unilaterally provided a one-time permanent increase of 10 per cent to the existing quotas for winter outerwear of category 2.0 with respect to WTO Members. The TMB understood that "ex-quota treatment" implied the elimination of restrictions notified pursuant to Article 2.1 by Canada with respect to the products involved (G/TMB/R/39).

Notification under Article 2.17 of the ATC: Administrative Arrangements

10. The TMB took note of the detailed notification by Canada of administrative arrangements concluded with the Czech Republic (G/TMB/R/41).

Notifications under Articles 2.17 and 5 of the ATC

11. The TMB considered communications received from Pakistan (submitted under Article 2.17) and from the United States (notified under Article 5). Since the two communications regarding the

same mutually satisfactory solution, reached following consultations between the two Members, had been made pursuant to two different articles of the ATC, the TMB decided to seek clarification from both Members. As no reply was received from either Member and since there were no indications that a reply would be forthcoming, the TMB came to the view that it had to proceed with the examination of the substantive elements of the two communications, keeping also in mind the respective provisions under which they had been submitted. The TMB took note, with some observations, of certain elements of the mutually satisfactory solution notified, while with respect to another substantive element the TMB recommended that Pakistan and the United States re-examine the measures in question, in the light of the Body's comments and considerations as detailed in the report of the meeting. With a view to exercising proper surveillance of the implementation of its recommendation, the Body expected that the two parties would report back to it on the outcome of this re-examination, in a way that would enable the TMB to pronounce itself definitively on the justification and conformity of the actions with the relevant provisions of the ATC (G/TMB/R/45, paragraphs 5 to 52).

Notifications under Article 2.18 of the ATC

12. The TMB considered notifications made, pursuant to Article 2.18, by Canada and the United States (G/TMB/R/38), and the European Community (G/TMB/R/41) regarding how they had implemented, during the second stage of integration, improvements in access for exports of Members subject to restrictions and whose restrictions represented 1.2 per cent or less of the total volume of the restrictions applied by an importing Member as of 31 December 1991 and notified under Article 2 of the ATC.

Communication under Articles 2.21 and 8.1 of the ATC

13. The TMB received a communication from Hong Kong, China; India and Pakistan, jointly requesting the TMB "to review, in accordance with Articles 8.1 and 2.21 of the ATC, the implementation of the Stage 2 integration programme of the United States of America with respect to the continuation of visa requirements for products included in this programme". Subsequently, a number of communications were addressed or copied to the TMB by the Members requesting the review and by the United States. In its last communication the United States informed the TMB that "[...] without conceding its right to maintain such measures, the United States [...] would eliminate visa requirements with respect to products integrated in Stage 2, without condition and as soon as practicable, but in any event not later than 31 December 1998". At the start of the review of the communication by Hong Kong, China; India and Pakistan, the representatives of those Members communicated to the TMB the contents of a further joint letter, addressed by the three Governments to the Chairman of the TMB, stating that while remaining of the view "that the maintenance of visa requirement for integrated products is not consistent with obligations under Article 2.8(a) of the ATC", and "on the clear understanding that the said United States visa requirement is to be eliminated, without conditions and as soon as practicable, but in any event not later than 31 December 1998, we agree that it is not necessary for the TMB to continue with the review under Article 2.21 of the ATC requested in our earlier letter, subject to the records of the TMB incorporating, *inter alia*, the texts of the relevant correspondence you have received relating to this review. This is without prejudice to the right of any of us to submit a further request for a similar review should this become necessary". In light of the above, the TMB took note of the communication by the United States that as a definitive response to the issues raised "without conceding its right to maintain such measures, the United States [...] would eliminate visa requirements with respect to products integrated in Stage 2, without condition and as soon as practicable, but in any event no later than 31 December 1998". It was the TMB's understanding that such elimination of visa requirements would be effected on a MFN basis. The TMB also took note of the communication of Hong Kong, China; India and Pakistan that under the conditions contained in their letter, they agreed that it was not necessary for the TMB to continue with the review under

Article 2.21 of the ATC. The TMB agreed to keep in view this matter under the provisions of Article 2.21 of the ATC. The TMB expected that it would be informed by the United States at the time the visa requirements with respect to products integrated in Stage 2 would be eliminated (G/TMB/R/45, paragraphs 53 to 63).

Notification under Article 3.2(b) of the ATC

14. The TMB considered a notification made pursuant to Article 3.2(b) by Hungary, according to which Hungary would, in addition to the phase-out programme previously notified, liberalize as of 1 January 1998 not only a further 25 per cent of the import volume of textiles and clothing subject to global quota, but all remaining textile and clothing global quota restrictions as notified under Article 3.1 *vis à vis* all WTO Members. The TMB commended Hungary for the early elimination of its restrictions (G/TMB/R/38).

Notifications under Article 3.3 of the ATC

15. In November 1997, the TMB received a joint communication from the European Community and Turkey under Article 3.3. This communication consisted of a copy, for the TMB's information, of the standard format notification made to the Chairman of the Committee on Regional Trade Agreements concerning the customs union between the two parties, as well as of the details of certain new quantitative limits introduced by Turkey with effect from 1 January 1996 in respect of imports of certain textile and clothing products from certain WTO Members which, according to the notification, were necessary to give effect to the customs union in accordance with Article XXIV of GATT 1994. In May 1998, the TMB received a copy, for its information, of a joint communication from the parties to the European Community/Turkey Customs Union to the Chairman of the Committee on Regional Trade Agreements, "concerning details of changes, effective as from 1 January 1998, in respect of the quantitative limits applied by Turkey on imports of certain textiles and clothing products from certain WTO Members in conformity with its commitments arising out of the customs union and with the provisions of Article XXIV of GATT 1994". In both cases, the TMB took note of the information received and recalled that notifications under Article 3.3 have to be provided to the TMB within 60 days of any new restrictions or changes in existing restrictions on textile and clothing products, taken under any GATT 1994 provision, coming into effect (G/TMB/R/38 and 43).

16. The TMB took note of a notification by the European Community, under Article 3.3, according to which the European Community no longer maintained any consultation levels with Malta, Morocco and Tunisia, with effect from 1 January 1998 (G/TMB/R/39).

17. The TMB took note of a notification by the European Community, under Article 3.3, of agreed changes to the consultation levels for 1998 and 1999 it maintained *vis-à-vis* Egypt in the context of a preferential trade agreement. These consultation levels were being notified under Article XXIV of the GATT (G/TMB/R/39).

18. The TMB took note of a notification by the European Community, under Article 3.3, according to which the European Community no longer maintained any quantitative limits *vis-à-vis* Bulgaria, the Czech Republic, Hungary, Poland, Romania and the Slovak Republic, with effect from 1 January 1998 (G/TMB/R/39).

Notification under Article 6.1 of the ATC

19. The TMB took note of the notification made pursuant to Article 6.1 by Panama that it wished to avail itself of the transitional safeguard mechanism (G/TMB/R/47).

Communication received from Haiti

20. The TMB took note of a communication received from Haiti according to which "the Haitian Government no longer applies restrictions of any kind on imports of textiles and clothing and therefore wishes to be considered to have brought this trade under the multilateral disciplines in accordance with Article 2.9" of the ATC (G/TMB/R/47).

Notification under Article 6.9 of the ATC

21. The TMB reviewed, pursuant to Article 6.9, the notification by the United States of a restraint measure agreed with Thailand on imports of yarn for sale, 85 per cent or more by weight artificial staple fibre (US category 603) from Thailand. On the basis of the considerations, as detailed in the report of the meeting, the TMB concluded that this restraint measure agreed between the United States and Thailand was justified in accordance with the provisions of Article 6 of the ATC (G/TMB/R/42, paragraphs 5 to 13).

Notification under Article 6 of the ATC

22. The TMB reviewed, pursuant to Article 6.10, the notification by Colombia of the introduction on 17 July 1998 of transitional safeguard measures on imports of denim (tariff heading 5209.42) from Brazil and India, for a period of three years. In view of the elements, as set out in the report of the meeting, the TMB found that since Colombia had failed to demonstrate that its industry producing denim was experiencing serious damage caused by increased quantities in total imports of that product, the restraint measures it had introduced on imports of denim from Brazil and India were not justified in accordance with Article 6. The TMB, therefore, recommended that Colombia rescind these measures (G/TMB/R/46, paragraphs 3 to 16). Subsequently, the TMB took note of a communication made by Colombia, pursuant to Article 8.9, according to which it had annulled the resolution imposing a transitional safeguard measure on imports of denim (tariff heading 5209.42) from Brazil and India (G/TMB/R/47).

Notifications Pursuant to Articles 8.5 and 8.6 of the ATC

23. The TMB reviewed a communication addressed to it by Honduras, in January 1998, expressing the view that there was no justification for the United States to maintain the restraint measure previously agreed between Honduras and the United States in respect of exports of cotton and man-made fibre underwear (category 352/652) from Honduras. It requested the TMB, pursuant to Articles 8.5 and 8.6 of the ATC, to promptly consider the matter and recommend that the United States withdraw the measure forthwith. The TMB, bearing in mind a number of elements, as detailed in the report of the meeting, invited the United States to reconsider the necessity to maintain the restraint in force until its scheduled expiration date (i.e. 26 March 1998). It also noted that until the expiration of the measure positive consideration could be given by the United States to any possible concern that would be brought to its attention by Honduras, so as to avoid future exports of this product to the United States from Honduras being adversely affected (G/TMB/R/39, paragraphs 16 to 28).

24. The TMB reviewed a further communication, dated February 1998, from Honduras requesting it, pursuant to Articles 8.5 and 8.6 of the ATC, to make a specific determination under Article 6.9 as to whether the restraint maintained by the United States on imports of category 352/652 products was justified. In reviewing the request made by Honduras, the TMB addressed a number of issues of procedural and substantive nature. The TMB also understood from the follow-up communication of the United States that while it would maintain the restraint in place until its scheduled expiration date (26 March 1998), it had decided as from 2 March 1998 to implement this measure in such a way that exports from Honduras would not, in practical terms, be embargoed.

Bearing in mind all the elements, which are detailed in the report of the meeting, the TMB took note of the communications made by both Honduras and the United States, as well as of the action taken by the United States, and considered that it had completed its review of the matter (G/TMB/R/40, paragraphs 5 to 24).

Communication from Brazil

25. The TMB took note of a communication by Brazil according to which, following the recommendation made by the TMB in November 1996 (G/TMB/R/20, paragraph 26)², Brazil had decided to rescind, as of 1 January 1998, the transitional safeguard it applied pursuant to Article 6.11 to imports of woven artificial filament fabric (category 618) from Hong Kong, China (G/TMB/R/39).

Observations with Respect to Late Notifications

26. With respect to notifications received by the TMB after the respective deadlines foreseen in the ATC, the TMB reiterated that its taking note of late notifications was without prejudice to the legal status of such notifications.

²See also G/TMB/R/26, paragraph 30.