

Textiles Monitoring Body

REPORT OF THE SEVENTY-SEVENTH MEETING

1. The Textiles Monitoring Body held its seventy-seventh meeting on 7 and 8 May 2001.
2. Mr. Ivan Lee (Hong Kong, China) was appointed member to replace Mr. John C.Y. Leung (Hong Kong, China). Mr. Lee appointed Mr. Ho-Young Ahn (Korea) as his first alternate, and Mr. Abdul Mannan (Bangladesh) as his second alternate. Mr. Moriya appointed Mr. Shingo Yamagami (Japan) as his alternate.
3. Present at this meeting were the following members, alternates and observer: Messrs. Fox-Drummond Gough/Ugarriza/Rosas; Kalu; Kiener/Karapinar; Kumar; Lee; Moriya; Moroz; Richards; Tagliani.
4. The TMB adopted the report of its seventy-sixth meeting (G/TMB/R/75).

Notification under Article 6.1 of the ATC

5. The TMB took note of the notification made pursuant to Article 6.1 by Estonia that it wished to retain the transitional safeguard provided for in Article 6.1 (G/TMB/N/393).

Notification under Articles 2.6 and 2.7(b)

6. The TMB reviewed under Article 2.21 the notification made, pursuant to Articles 2.6 and 2.7(b), by Estonia (G/TMB/N/394). The TMB noted that the volume of the products integrated amounted to 16.15 per cent of the volume of imports into Estonia in 1994 of the products falling under the coverage of the Agreement. The TMB also noted that the products integrated included, in accordance with Article 2.6, products from each of the four groups: tops and yarns, fabrics, made-up textile products and clothing. With respect to the fact that, the calculation of the share of the products integrated had been made on the basis of a different base year, other than 1990, the TMB took note of the statement by Estonia that this year represented the first fully reliable statistical year based on HS in Estonia.

Notification under Articles 2.8(a) and 2.11

7. The TMB reviewed under Article 2.21 the notification made, pursuant to Articles 2.8(a) and 2.11, by Estonia (G/TMB/N/395). The TMB noted that the volume of the products integrated amounted to 17.13 per cent of the volume of imports into Estonia in 1994 of the products falling under the coverage of the Agreement. The TMB also noted that the products integrated included, in accordance with Article 2.8(a), products from each of the four groups: tops and yarns, fabrics, made-up textile products and clothing. With respect to the fact that, the calculation of the share of the products integrated had been made on the basis of a different base year, other than 1990, the TMB took note of the statement by Estonia that this year represented the first fully reliable statistical year based on HS in Estonia, and that Estonia had followed the same approach as for the notification it had made pursuant to Articles 2.6 and 2.7(b).

Notifications under Articles 2.8(b) and 2.11

8. The TMB reviewed under Article 2.21 the notifications made, pursuant to Articles 2.8(b) and 2.11, by the United States (G/TMB/N/360 and Add.1 and 2). It noted that, in accordance with Article 2.8(b), the volume of imports to be integrated amounted to 18.11 per cent of the total volume of imports into the United States in 1990 of the products falling under the coverage of the Agreement. Products from each of the four groups referred to in Article 2.8(b) would be integrated, and would represent the following percentages of the volume of imports in 1990 in the United States: tops and yarns (3.26 per cent), fabrics (3.91 per cent), made-up textile products (8.40 per cent) and clothing (2.55 per cent). The TMB noted that the United States would integrate products from 41 US categories, of which four of tops and yarns, five of fabrics, eight of made-up textile products and 24 of clothing. The TMB further noted that, products from 38 US categories with respect to which the United States maintained restrictions under Article 2.1 had been included in the integration programme and that, therefore, restrictions affecting such products would be eliminated on 1 January 2002. Restraints on these products affected overall 20 WTO Members. Some of the restraints would be fully eliminated because they constituted specific limits covering single or merged categories which would be integrated in their entirety. In a number of other cases, products included in the programme of integration formed only part of product categories, therefore, restrictions affecting such categories would be only partially eliminated. In several other cases, the category integrated was, prior to its integration, subject to a quantitative restriction because, although the category itself was not under specific limit, it fell under an aggregate or group limit. As regards, the HS lines in the notification which correspond to products described in the Annex of the ATC as "ex" positions of HS 6-digit lines, the TMB noted the confirmation by the United States that the trade attributed to such HS lines corresponded precisely to products covered by the ATC. With respect to the fact that several HS lines (at the 10-digit level) included in the notification had already been included in the US' integration programme for Stage 2, *albeit* with a different product description, under a different product category and with different trade data, the TMB took note of the US' statement that, in order to achieve integration of a category or part of a category, in some cases the respective US imports in 1990, expressed in terms of HS 1990, had to be prorated using 1994 trade data. Thus, an individual 1990 HS line item could appear more than once in the integration schedule. As to the consequences of the integration of the products listed as imports into the United States of products forming only part of a category or subject to group or aggregate limits, the TMB noted the US' statement that the United States "will be in contact with [its] textiles agreement partners during the course of this year [i.e. 2001], concerning the effects of integration in the year 2002 on specific, group and aggregate limits. Adjustment to limits will be based on trade that has occurred in the products to be integrated, and [the United States'] agreements partners will be given the opportunity to consult with [the United States] on this issue". In this regard the TMB recalled that, in conformity with the provisions of Article 4, any change in the level of such restrictions shall not adversely affect the access available to a Member and upset the balance of rights and obligations of the Members concerned under the ATC. The TMB observed that the products integrated were subject, prior to their integration, to visa requirements, and sought confirmation that no visa requirements would be applied to any of the products integrated into GATT 1994 as a result of the Stage 3 integration programme as from 1 January 2002. The United States stated in this regard that "a decision will be made later this year, after consultation with our bilateral textile visa arrangement partners, as to whether or not a visa requirement will be retained for goods exported in 2002 that were integrated in that year". The TMB recalled that the respective visa arrangements had been notified to the TMB by the United States, pursuant to Article 2.17, as parts of administrative arrangements and that, under Article 2.17, administrative arrangements could only be deemed necessary in relation to the implementation of restrictions applied under Article 2. The TMB further recalled that, in June 1998, several WTO Members had requested the TMB to review, in accordance with Articles 8.1 and 2.21, the implementation of the Stage 2 integration programme of the United States with respect to the continuation of visa requirements for products included in this programme. In that context, the TMB had, *inter alia*, taken note of a 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.¹ Subsequently, the United States had forwarded to the TMB, for its information, a US Federal Register Notice "eliminating the visa requirements for various textile categories, consistent with the TMB's decision on this matter".² Against this background, the TMB expected that it would be informed as soon as possible of the outcome of any follow-up consideration to be given to this matter by the United States.

9. The TMB reviewed under Article 2.21 the notifications made, pursuant to Articles 2.8(b) and 2.11, by the Dominican Republic (G/TMB/N/386/Rev.1), Estonia (G/TMB/N/396), Indonesia (G/TMB/N/381/Rev.1) and Malta (G/TMB/N/382/Rev.1). The TMB noted that, in accordance with Article 2.8(b) the volume of the products integrated amounted to the following percentages of 1990 imports of the products falling under the coverage of the Agreement (unless otherwise specified): Dominican Republic (18.01 per cent of 1991 imports), Estonia (18.27 per cent of 1994 imports), Indonesia (18.00 per cent) and Malta (31.39 per cent). With respect to the Dominican Republic, the TMB observed that the integration programme contained four products corresponding to "ex HS lines" in the Annex to the ATC and took note of its statement: that the notification was based on the Brussels Tariff Nomenclature (BTN) before being transposed to the Harmonized System (HS); that there were no "ex-HS lines" in the Dominican Republic's tariff structure; and that on switching from the BTN to the HS, the Dominican Republic had found that these lines in the national tariff corresponded most closely to the descriptions in the corresponding lines of the Annex to the ATC. As regards Malta, the TMB observed that the integration programme contained 14 products defined as "ex HS lines" in the Annex to the ATC and that even if all the imports of such lines were not counted in the volume of imports of the products to be integrated, that volume would still amount to not less than 18 per cent of the total volume of Malta's 1990 imports of the products in the Annex, as envisaged in Article 2.8(b). The TMB also noted that, in each notification, in accordance with Article 2.8(b), the products integrated included products from each of the four groups: tops and yarns, fabrics, made-up textile products and clothing. With regard to those notifications mentioned above, for which the calculation of the share of the products integrated had been made on the basis of a different base year, other than 1990, the TMB ensured that no better data were available and that the Members concerned had followed the same approach as for the notifications they had made pursuant to Articles 2.6 and 2.7(b), as well as 2.8(a) and 2.11.

10. The TMB started its review under Article 2.21 of the notification made, pursuant to Articles 2.8(b) and 2.11 by El Salvador. It decided to seek clarification from El Salvador as to whether (i) some of the products scheduled to be integrated fell under the coverage of the ATC, (ii) some of the products included in the programme had already been integrated in Stages 1 or 2, (iii) the programme notified met the requirements of Article 2.8(b), in terms of the percentage of El Salvador's 1990 imports of the products in the Annex to the ATC to be integrated.

Notification under Article 3.2(b) of the ATC

11. The TMB considered a notification received from Japan pursuant to Article 3.2(b), regarding the progressive phase-out of the measures notified by Japan under Article 3.1³, affecting the importation of silk yarn and silk fabric from Korea. According to the notification, based on the Uruguay Round Agreement on Agriculture, import restrictions applied to imports into Japan of raw silk, from which silk yarn and silk fabric are made, were converted into ordinary customs duties in 1995 and this tariff equivalent would be maintained until the WTO agricultural negotiation is concluded. Therefore, Japan was not in a position to review the necessity to maintain these measures.

¹ See G/TMB/R/45, paragraphs 53 to 63.

² See G/TMB/R/51, paragraph 37.

³ See G/TMB/N/82 and Add.1.

It, therefore, postponed such a review and decided to maintain the present measures. The TMB recalled that in its first notification pursuant to Article 3.2(b), made in June 1995⁴, Japan had stated, *inter alia*, that "before the end of the implementation period of the Agreement on Agriculture (hereinafter 'implementation period') ..., i.e. 31 March 2001, Japan will review the necessity to further maintain the measures concerning importation of silk products from ... Korea", and also that "should it be decided that the measure related to Korea are to be further maintained even after the 'implementation period' is over, trade level with Korea, thereafter, will be annually increased from the level of the preceding year, until the phase out is completely achieved within the duration of the Agreement on Textiles and Clothing". In taking note of this notification, the TMB recalled that, pursuant to Article 3.2(b), and to the related commitment undertaken by Japan, these measures had to be completely phased out over the duration of the ATC. Furthermore, the TMB reiterated its expectation that the implementation of the continued phase-out programme, in conformity with Article 3.2(b), would be such as to provide appropriate progressive increases to the level of restrictions on imports of silk yarn and silk fabric from Korea (G/TMB/N/399).

Preparation for the TMB's 2001 Comprehensive Report Pursuant to Article 8.11 of the ATC

12. The TMB started its consideration of the responses received from several Members to the request for notifications and information sent to WTO Members⁵, in the context of the preparation for the Body's comprehensive report pursuant to Article 8.11. It decided to put questions and invite comments from several Members with respect to some of the elements contained in the responses received.

13. The TMB decided to request the WTO Secretariat to provide Members with background statistical information with respect to trade in textiles and clothing, in time for the major review to be conducted by the Council for Trade in Goods, pursuant to Article 8.11, before the end of 2001.

Observations with Respect to Late Notifications

14. With respect to notifications addressed to the TMB after the relevant deadlines, the TMB reiterated that its taking note of late notifications was without prejudice to the legal status of such notifications.

⁴ See G/TMB/N/175.

⁵ See G/TMB/24.