Textiles Monitoring Body

Status

The Textiles Monitoring Body (TMB), established in the Agreement on Textiles and Clothing (ATC), supervises the implementation of all aspects of the Agreement. In 1999, TMB membership was composed of appointees and alternates from the United States, the EU, Japan, Canada/Norway, Slovenia/Turkey, Costa Rica, Thailand, Pakistan/Macau, India/Egypt, and Hong Kong/Republic of Korea. Each TMB member serves in a personal capacity.

The ATC succeeded the Multifiber Arrangement (MFA) as an interim arrangement establishing special rules for trade in textile and apparel products on January 1, 1995. All Members of the WTO are subject to the disciplines of the ATC, whether or not they were signatories to the MFA, and only Members of the WTO are entitled to the benefits of the ATC. The ATC is a ten-year, time-limited arrangement which provides for the gradual integration of the textile and clothing sector into the WTO and provides for improved market access and the gradual and orderly phase-out of the special quantitative arrangements that have regulated trade in the sector among the major exporting and importing nations.

Assessment of the First Five Years of Operation

The United States has implemented the Agreement on Textiles and Clothing in such a way as to ensure that the affected U.S. industries and workers as well as U.S. importers and retailers have a gradual, stable and predictable regime to operate under during the quota phase-out period. At the same time, the United States has aggressively sought to ensure full compliance by U.S. trading partners with market opening commitments, so that U.S. exporters can enjoy growing opportunities in foreign markets.

Under the ATC, the United States is required to "integrate" products which accounted for specified percentages of 1990 imports in volume over three stages during the course of the transition period, that is, to designate those textile and apparel products for which it will henceforth observe full GATT disciplines. Once it has "integrated" a product into the GATT, a WTO Member may not impose or maintain import quotas on that product other than under normal GATT procedures, such as Article XIX. As required by Section 331 of the Uruguay Round Agreements Act, the United States selected the products for early integration after seeking public comment, and published the list of items at the outset of the transition period, for purposes of certainty and transparency for U.S. industry and trading partners. The integration commitments for stages 1 and 2 were completed in 1995 and 1998, and the list may be found in the *Federal Register*, volume 60, number 83, pages 21075-21130, May 1, 1995. Also keyed to the ATC "stages" is a requirement that the United States and other importing Members increase the annual growth rates applicable to each quota maintained under the Agreement by designated factors. Under the ATC, the weighted average annual growth rate for WTO Members' quotas increased from 4.9179 percent in 1994 to 5.7048 percent in 1995 and 9.1231 percent in 1998.

Article 5 of the ATC requires that Members cooperate to prevent circumvention of quotas by illegal transshipment or other means. The United States has actively worked with trading partners to improve cooperation and information sharing, and concluded a new agreement with Hong Kong to this end. The United States has also established a Textile Transshipment Task Force at Customs, to improve enforcement of textile quotas at U.S. borders, and has tightened enforcement actions vis-a-vis other trading partners where an improved bilateral agreement was not possible.

The ATC requires that all Members take actions to abide by WTO obligations so as to achieve improved

access to markets for textiles and clothing. The United States initiated WTO dispute resolution cases against Argentina's use of alternative specific duties and a statistical tax on imports; these measures primarily affected the textile, apparel and footwear sector. The United States prevailed in that instance through the WTO Appellate Body. In another instance, the United States initiated a WTO dispute over India's lack of justification for use of trade measures (largely affecting the textile and apparel sector) under balance of payments grounds, and again prevailed in the Dispute Settlement Body and at the Appellate Body. (For further details on these cases, please see the description of the activities of the WTO Dispute Settlement Body in this Chapter.)

Most of the significant exporters of textile and apparel products to the United States are WTO Members. For these Members, bilateral quota arrangements are governed by the provisions of the ATC. Approximately 84 percent of U.S. imports of textiles and apparel are from WTO Member countries, and approximately 98 percent (in value) of U.S. exports of textiles and apparel are destined for WTO Member countries. Members with whom the United States maintains bilateral quota arrangements under the provisions of the ATC are: Bahrain, Bangladesh, Brazil, Bulgaria, Burma/Myanmar, Colombia, Costa Rica, Czech Republic, Dominican Republic, Egypt, El Salvador, Fiji, Guatemala, Hong Kong/China, Hungary, India, Indonesia, Jamaica, Kenya, the Republic of Korea, Kuwait, Macau, Malaysia, Mauritius, Pakistan, Philippines, Poland, Qatar, Romania, Singapore, Slovak Republic, Sri Lanka, Thailand, Turkey, United Arab Emirates and Uruguay.

Major Issues in 1999

Safeguard Restraints: A special three-year safeguard is provided in the ATC to control surges in uncontrolled imports that cause or threaten to cause serious damage to domestic industry. Actions taken under the safeguard are automatically reviewed by the TMB. In 1998, the United States determined that domestic producers of category 301 (combed cotton yarn) had been seriously damaged or threatened with serious damage as a result of imports from Pakistan and issued a request for consultations under the safeguard provisions of Article 6 of the ATC. As the United States and Pakistan were unable to reach an agreement on the matter, the TMB reviewed the measure in 1999 and found the restriction was not justified in accordance with the provisions of Article 6 of the ATC. As provided for under Article 8 of the ATC, the United States provided the TMB with the reasons why it was unable to comply with the TMB's findings. The TMB reviewed the reasons put forward by the United States and reiterated its original conclusion. Consistent with its rights under the WTO, the United States has decided to keep the measure in place despite the position taken by the TMB.

The TMB also reviewed an Article 6 action taken by Argentina on imports of man-made fiber fabric from Brazil. In this case, the TMB found that Argentina had not demonstrated serious damage or actual threat thereof, and recommended that Argentina rescind the restraint. Argentina disagreed with the TMB's finding and the measure remains in place. As in the U.S.-Pakistan case cited above, Argentina disagreed with the TMB's finding and informed the TMB of its reasoning. The TMB reiterated its original conclusion and Argentina chose to keep the measure in place.

In 1998, the TMB reviewed an Article 6 action taken by Colombia on man-made fiber yarn from the Republic of Korea and Thailand. The TMB concluded, in 1999, that Colombia had not demonstrated serious damage or actual threat thereof, and recommended that Colombia rescind the restraint. Subsequently, Thailand requested a panel under the WTO Dispute Settlement Understanding to review Colombia's restraint. Because Colombia had already removed the restraint at the time of the request and after further consultations between the parties, Thailand agreed to drop the request from the agenda before the Dispute Settlement Body.

In another matter, Turkey had imposed new textile quotas on imports from India in order to align its regime with the EU in accordance with their customs association. As these restraints were notified to the TMB for its information, the TMB did not review the action. India challenged the new restraints before a WTO panel and the Appellate Body, prevailing in both cases. Turkey had tried to justify its new textile restraints under the GATT 1994. Turkey's restraints were found to be inconsistent with GATT 1994 and the ATC.

Notifications and Other Issues: A considerable portion of the TMB's time was spent reviewing notifications made under Article 2 of the ATC dealing with textile products integrated into normal GATT rules and no longer subject to the provisions of the ATC. WTO Members wishing to retain the right to use the Article 6 safeguard mechanism were required in 1998 to submit a list of products comprising at least 17 percent by trade volume of the products included in the annex to the ATC. A number of these notifications were defective for various reasons and the TMB's review carried into 1999 in a number of cases. The TMB expressed concern that a number of countries that have announced their intention to retain the right to use Article 6 safeguards failed to make the required integration notification. On its own initiative, the TMB raised the issue of a new restraint on category 352/652 (underwear), as reported in the U.S. *Federal Register*, with the United States and Turkey. The United States and Turkey provided the TMB with a joint communication containing information concerning this restraint. The TMB's consideration of this matter had not been completed by the end of 1999.
TMB documents are available on the WTO's web site, "www.wto.org." Documents are filed in the Document Distribution Facility under the document symbol "G/TMB." The TMB's annual report to the General Council for 1999 appears as document G/L/318.

Work for 2000

The United States will continue to monitor compliance of market opening commitments by trading partners and will raise concerns regarding these commitments in the TMB or other WTO fora, as appropriate. The United States will also pursue further market openings, including in the negotiation of new Members' accessions to the WTO. In addition, the United States will continue to respond to surges in imports of textile products which cause or threaten serious damage to U.S. domestic producers. The United States will continue efforts as well to enhance cooperation with U.S. trading partners and improve the effectiveness of customs measures to ensure that restraints on textile products are not circumvented through illegal transshipment or other means. Finally, the United States maintains textile restraint agreements that are scheduled to expire on December 31, 2000, including China, Taiwan, Nepal, Laos, Macedonia, Oman, Ukraine, and Russia. To the extent that these countries do not, by that time, become Members of the WTO to whom the United States applies the Agreement Establishing the WTO, the United States will seek to renegotiate these bilateral agreements.