

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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## Textiles Committee

### DRAFT REPORT ON THE MEETING OF THE COMMITTEE HELD ON 27 OCTOBER 1978

1. The Textiles Committee held a meeting on 27 October and considered the following subjects:
  - (a) Accession by Bolivia to the Arrangement;
  - (b) Annual review of the operation of the Arrangement;
  - (c) Analysis of the current state of world production and trade in textile products;
  - (d) Statistical reporting scheme;
  - (e) Reporting on measures to facilitate adjustment;
  - (f) The membership of the Textiles Surveillance Body for the year 1979.
2. In his opening statement, the Chairman informed the Committee that so far thirty-four former participants in the MFA had accepted the Protocol of Extension, four of which, i.e. Brazil, Egypt, El Salvador and Guatemala, had accepted it subject to completion of internal procedures. In addition, Indonesia had signed the original MFA and the Protocol of Extension. As regards these former participants which had not as yet accepted the Protocol<sup>1</sup>, the Chairman said it was his understanding that in certain cases the delay was mainly due to internal procedures and expressed the hope that these would be speeded up. For the status of membership of the Arrangement as of 25 October 1978, he referred the Committee to document COM.TEX/12.

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<sup>1</sup>These are Australia, Malaysia, Nicaragua, Norway, Portugal on behalf of Macao, Spain and Trinidad and Tobago. Furthermore, Argentina and Paraguay have not yet confirmed their original acceptance of the MFA, nor have they accepted the Protocol of Extension.

(a) Accession by Bolivia to the Arrangement

3. The Chairman referred the Committee to document COM.TEX/W/54 setting out the communication he had received from the Government of Bolivia expressing its wish to accede provisionally to the Arrangement under paragraph 2 of Article 13, subject to the relevant procedure for ratification. This paragraph provided for the accession of a government not party to the GATT on terms to be agreed between that government and the participating countries. In this connexion, he recalled the procedure established by the Committee in the case of non-contracting parties wishing to accede to the Arrangement.<sup>1</sup>

4. The Chairman also referred the Committee to document COM.TEX/W/54/Add.1, which contains a notification from Bolivia with respect to the status of its existing restrictions in terms of Article 2, paragraph 1, of the Arrangement.

5. The observer from Bolivia, referring to the procedure established by the Committee, stated that Bolivia had been applying the Arrangement on a de facto basis since 28 July 1978. Moreover, Bolivia would expect upon its accession, and for matters covered by the Arrangement, to be entitled to a treatment equivalent to that accorded to other participating countries with similar economic systems and level of development. He further informed the Committee that projects for the modernization and expansion of the domestic textile industry had been put into effect in the context of Bolivia's overall development strategy and industry programmes. As a member of the Latin American Free Trade Association and of the Cartagena agreement, Bolivia

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<sup>1</sup>See COM.TEX/2.

had been accorded special assistance to promote trade and infrastructure given its situation as a land-locked country and its being at a relatively less advanced stage of economic development. His Government considered the MFA as an adequate international framework for promoting the liberalization of world trade in textile products. Certain provisions of the Arrangement, such as those set out in Article 6, were of special interest to Bolivia in that they allowed expanded access for exports from small suppliers and new entrants. Bolivia placed its confidence in the Arrangement and was fully prepared to play the rôle incumbent on it within the framework thereof.

6. Bolivia's request for accession was warmly welcomed by the Committee. As a matter of procedure the Government of Bolivia was invited to send a letter to the Director-General of GATT, as a depositary of the Arrangement, confirming its notification of accession with reference to the decision taken by the Committee. The effective date of Bolivia's accession to the Arrangement would be the date on which the letter was received by the Director-General.<sup>1</sup>

(b) Annual review of the operation of the Arrangement

7. The Chairman invited the Committee to address itself to the review of the operation of the Arrangement as required of it under paragraph 4 of Article 10. To assist in this review the Committee had before it a report by the TSB on its activities (document COM.TEX/SB/365). He recalled that no report had been submitted by the TSB to the Committee since the major review of the Arrangement in view of the fact that all the Committee's meetings thereafter were devoted to the extension of the Arrangement. Thus,

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<sup>1</sup>This was received on 31 October 1978, consequently the accession of Bolivia became effective as of that date (see document COM.TEX/W/54/Add.2).

the report now before the Committee was intended to complement the previous report contained in document COM.TEX/SB/196 and to deal with the activities of the TSB during the first year of the extended Arrangement.

8. A summary of the statements made under this item is given in the following paragraphs. Those parts of the statements relating to the discussion of the current state of trade or adjustment assistance measures will be found under the relevant headings.

9. At the outset, the representative of Yugoslavia remarked that the Committee was not sufficiently equipped to conduct a thorough review of the first year of the extended Arrangement due to the lack of adequate statistical material for this period, and the considerable delay in the notification of certain actions taken under the provisions of the Arrangement - thus precluding any assessment of their contents. He, therefore, appealed to the participating countries concerned, to show more discipline than hitherto with regard to the notification requirements. Nevertheless, he found the report of the TSB before the Committee useful, and expressed appreciation of the efforts deployed by the Body in discharging the important and difficult functions entrusted to it.

10. He further pointed out that the TSB's report had shown to what extent the MFA had been eroded with respect to certain fundamental aspects and key provisions such as growth and flexibility. With the introduction of the concept of reasonable departures, the Arrangement had considerably lost its usefulness and had created an atmosphere of uncertainty, ambiguity and inequity. If this concept were to spread in GATT, the consequence would

be a general departure from the rules and principles of the General Agreement, thus nullifying its objectives. With a view to avoiding such a tendency and so as to bring the extended MFA to its full effectiveness, this concept should be abandoned. Since departures could only be temporary, it was expected that the participating countries concerned should, in the shortest possible time, return towards a fair and consistent application of the rules and procedures established in the Arrangement. Some indication in this respect was expected at the present meeting to alleviate the preoccupation of the developing countries.

11. Although exports from developing countries had been subject to increasing restraints, the importing countries had continued to complain about rising imports. As an explanation of this, it could be presumed that other important exporters, under no restrictions, had taken advantage of the situation to expand their exports. Furthermore, it now appeared that there was little chance for the high tariffs in the textile sector to be reduced in the MTN. Developing countries had a comparative advantage in textiles, but this was frustrated by unfair trading practices. Their exports of textile products had been subjected to both widespread quantitative restrictions and high tariffs, while exports of their rivals had remained free of any restrictions. Such practices, if not contained could provoke serious consequences to the economies of the importing countries. It was, therefore, necessary to consider the problems involved in their entirety and to seek the proper solution through international co-operation, based on a fair and equitable treatment.

12. The representative of Egypt recalled that when negotiating the MFA in 1973, the developing countries had not considered the Arrangement as an ideal solution but, nevertheless, had accepted it as a compromise. After arduous negotiations throughout 1977, their acceptance of the Protocol of Extension was a further compromise. Notwithstanding these compromises, there continued to be an increasing protectionism in the field of textiles. In this connexion, he referred the Committee to the aims and objectives of the Arrangement, which included the need to further the economic and social development of developing countries.

13. Referring to the TSB's report, he expressed appreciation of the work carried out by the Body as reflected in its report. He, however, pointed out that the TSB's observations with respect to the notifications reviewed by it, were limited in nature. The TSB made no reference to the rising protectionism, nor had it provided any conclusion concerning the prevailing situation of trade in textiles as it had done in its report in December 1976. He further reiterated the suggestion he had made at the Committee's meeting held in December 1977, that technical assistance be provided by the GATT secretariat to the developing countries in connexion with their negotiations with the developed importing countries, as well as the presentation of their cases before the TSB. The lack of resources and expertise put the developing countries at a disadvantage and, therefore, technical assistance by the secretariat would help to restore the balance. He also suggested that, in the commercial policy courses offered by the GATT training programme, more emphasis should be laid on the problems of trade in textiles as related to developing countries. A special programme might be initiated in this respect with particular reference to the implementation of the MFA.

14. On the question of technical assistance the Chairman stated that, shortly after the last meeting of the Committee, he had appointed a technical consultant on textiles. Thus, the required assistance could now be provided by the secretariat. Participating countries, and in particular developing countries, could, if they so desired, avail themselves of such assistance.

15. The representative of Brazil said that it was important that the basic principles of the Arrangement as originally conceived and negotiated should not be forgotten. The waiver granted in the Protocol extending the MFA should not be taken as an indefinite shelter, nor should it delay the adoption of internal adjustment measures aimed at total liberalization of trade in textiles as early as possible. It was incumbent on all participants to defend the principles of the Arrangement and to adhere as strictly as possible thereto in their negotiations. In cases where departures were proposed, these should be duly brought to the attention of the TSB together with any such problems as might arise in the implementation of bilateral agreements such as surveillance of quotas, which could constitute additional non-negotiated restrictions to trade.

16. He recalled that the MFA had been accepted by developing countries with a view to avoiding a trade war, and that the Protocol of extension had put extreme strain on their capacity to co-operate in the maintenance of the understanding that the Arrangement had sought to establish. If this fragile balance was to be maintained developed countries should renounce any departure from the MFA as soon as possible. Brazil, if necessary, would resort to all legitimate means to assure full application of the

principles of the MFA in the interest of a balance of rights and obligations thereunder.

17. The representative of Brazil emphasized the increased responsibility of the Textiles Committee and the Textiles Surveillance Body, particularly during a period when the MFA was temporarily weakened. Thus, both organs should discharge their functions at the political and technical level respectively, to ensure that the MFA was applied correctly and that there would be no further deterioration of trade in textiles owing to increased protectionism.

18. The representative of Korea said that since the extension of the MFA, certain developed countries had pursued increasingly protectionist policies. While some had accepted the Protocol for the sole purpose of negotiating agreements on their own terms, others had attempted to force developing countries to accept their arbitrary interpretation of the provisions of the extended Arrangement. To remedy this unhealthy situation, it was incumbent on participants to show will and determination to maintain the normal operation of the Arrangement, and to abide by its letter and spirit.

19. After having referred to recent developments in trade, he pointed out that figures had clearly shown that exports from developing countries had slowed down considerably in 1977 due to the very restrictive measures applied by the developed countries, whereas certain developed countries had registered a big export surplus in their trade balance of textiles



during the same year. Indications were that this trend would continue in 1978. He, therefore, suggested that the Committee be convened sometime before the end of July 1979 to examine the trends in international trade in textiles for the whole year of 1978, and further to review the various aspects of the Arrangement, with particular emphasis on protectionist practices of developed importing countries.

20. The representative of India observed that in spite of the inadequacy of available information on trade analysis, it was clear that by and large the trade of developing countries stood restrained in the major part of the developed participating countries. He supported the suggestion that the Committee should meet again in the coming year with fuller information on the extent to which trade of developing countries was restrained, the areas and trends of such restraints.

21. Referring to the report of the Textiles Surveillance Body, he said that it covered only some of the bilateral agreements concluded during the year. The delay in notification of agreements by some major trading areas precluded any judgement on their contents and prevented the Committee at the present meeting from reviewing a large sector of trade. Certain aspects could, nevertheless, be brought out from this report which were a matter of concern. There was a tendency in the agreements concluded with the developing countries to cover all fibres whether or not at a given time these countries were exporters of those fibres. There was a more frequent occurrence of cases in which lower growth rates had been provided, and in which flexibility was being increasingly reduced.

22. He stressed the need for those developed countries which had found it necessary to deviate from the provisions of the MFA, to evolve policies that would facilitate in the foreseeable future the discontinuance of what was certainly a waiver and a derogation from the general principles. He regretted the absence of information before the Committee to show the extent to which adjustment measures were being adopted by the countries which had continued to maintain and intensify restraints on their imports from developing countries.

23. He supported the point made by the representative of Brazil, that those countries which had made certain departures from the MFA, in notifying their agreements to the TSB, should specifically mention the scope and extent of such departures. He, however, reiterated that it was of vital importance that efforts should be exerted by those which had made these departures, to return to the framework of the MFA in the shortest possible time. A temporary deviation from an Arrangement, having a finite life, could not be assumed to be co-terminus with the life of the Arrangement itself. He hoped that the countries concerned would give some indication at the present meeting as to when they would be in a position to do so.

24. At a later stage in the discussion, the representative of India drew the attention of the Committee to the longer-term problem of trade in textiles. He said that developing countries were concerned that this problem had not been effectively dealt with within the multilateral trade negotiations. The existence of the MFA, which had a limited life of four years, should not prevent textile problems both with regard to tariffs

and quantitative restrictions, from being considered within the framework of the MTN which would influence trade for a much longer period. He hoped, therefore, that in the short time available before the completion of these negotiations, it would be found possible to deal with both these aspects of textile trade.

25. The representative of Colombia said that since the last meeting of the Committee, the situation in textiles had further deteriorated and no element of optimism could be detected. The increasing tendency towards protectionism was contrary to the letter and spirit of the MFA, and no doubt prejudicial to the interests of both exporting and importing countries. This trend would also show that paragraph 4 of Article 1 of the Arrangement had remained a dead letter, and that barriers were being erected to defend industries in the developed countries which were no longer competitive. In doing so, the developed countries were preventing benefits which they could derive from strengthening the economies of the developing countries. His delegation still believed that multilateral solutions within the framework of the Arrangement would lead to the necessary balance and equitable share of production that would sustain fair trade relations.

26. Referring to the activities of the TSB during the period under review, he expressed satisfaction about the way in which the Body had discharged its responsibilities. He, however, was concerned about the erosion of certain provisions of the MFA as indicated in the TSB's report. This was all the more disquieting because the developing countries believed that these provisions would benefit them, and had subscribed to the MFA in this belief. He, therefore, urged that all bilateral agreements notified to the TSB under

Article 4 of the Arrangement, should provide for positive growth and substantial flexibility in accordance with paragraph 3 of this Article. Delays in the notification of action to the TSB, and the lack of adequate information on reference levels and base periods were ways of circumventing the provisions and obligations of the Arrangement and should, therefore, be remedied.

27. The representative of Japan said that although he was not in a position to comment on any individual bilateral agreement, he had noted the lack of flexibility provisions in some of the bilateral agreements concluded in accordance with the MFA as extended. The most important function of the MFA was to adjust the interests of exporting countries with those of importing countries in a spirit of mutual co-operation. It was, therefore, necessary that flexibility provisions as stipulated in the Arrangement be included in the bilateral agreements concluded thereunder and that all parties concerned gave serious consideration to this with a view to ensuring the smooth operation of the MFA.

28. The representative of the United Kingdom on behalf of Hong Kong supported the points made by the previous speakers and laid particular emphasis on those relating to the erosion of the Arrangement as evidenced by the number of unreasonable departures and to the importance of adjustment assistance measures in the context of Article 1, paragraph 4. He shared the views expressed by other delegates that there was insufficient statistical material available at the meeting, and said it would be useful to have another meeting of the Committee, when statistics were available, to review production and trade in 1978.

29. The spokesman of the European Community, referring to some of the points raised by the representatives of the exporting countries, made the following comments. As regards the tendency towards increased protectionism, he said that if all countries were to open their markets, free of all tariff or non-tariff restraints, then the EEC would be able to subscribe wholeheartedly to such a system of free trade. However, in practice, many countries maintained different kinds of restrictions, and it was important to have full information from all participants, both importing and exporting. Some delegates had referred to the rôle of the TSB. The functions of the Textiles Surveillance Body, representing the conscience of the Arrangement, were surveillance and conciliation, and it was up to this Body to examine the restraints and to decide on any departures from the Arrangement.

30. On a second theme, remarks had been made with regard to delays in notifying agreements to the TSB. In the case of the EEC, such delays had been caused by purely administrative and technical problems, notably translation and verification of all agreements in the official languages of the Community. It was due to this that the agreements had not as yet been formally ratified. So the EEC proposed a pragmatic approach, since some participants, quite understandably, had begun to question such delay. The initialled agreements had been notified, and as soon as the ratification procedures were complete, the agreements would be forwarded as confirmation of the initialled agreements.

31. The third theme raised by some representatives concerned the erosion of MFA provisions. Last year the EEC, faced with exceptional circumstances, had asked its trading partners for special permission to use reasonable departures on a temporary basis. He agreed with other representatives that there should be no escalation of departures. As a signatory, the EEC intended to honour the temporary nature of the Protocol extending the Arrangement. If at the time of the consideration of the future of the extended Arrangement conditions remained the same as today, the EEC would ask the Committee to revert to the original Arrangement. The need for reasonable departures arose only to help normalize imports into the EEC. In fact the EEC had used such departures in a minimum number of cases, and the TSB would decide on them. To illustrate the Community's position, he said that in 1976 imports from low-cost countries totalled 993,340 tons. In 1978, despite the new restraints, there was scope for imports up to 1.4 million tons.

32. The representative of India commenting on the remarks made by the representative of the EEC, took note of the fact that the EEC would not ask for an extension of the Protocol. He had hoped that the MFA could be entirely done away with since the Arrangement was finite. He also noted that the representative of the EEC described the rôle of the Textiles Surveillance Body as that of surveillance and conciliation.

33. Following the discussion, the Committee agreed that the final version of the report of this meeting, together with the report of the TSB contained in document COM.TEX/SB/365, would be transmitted to the GATT Council.

(c) Analysis of the current state of world production and trade in textile products

34. The Chairman drew the attention of the Committee to Article 10, paragraph 2, of the Arrangement under which it was required to undertake an analysis of the current state of world production and trade in textile products. For this task the Committee had before it a report prepared by the secretariat on Recent Trends in Production and Trade in Textiles and Clothing (document COM.TEX/W/55).

35. In discussing this report, mention was made by a number of speakers from the developing countries of the slower growth in 1977 of the value of imports into developed countries from developing countries compared to those from other sources, as described in COM.TEX/W/55, paragraph 2. In this regard it was pointed out that it was only the trade of developing exporters which had been restrained in the developed markets, and that the cost of economic adjustment was being transferred to the economies of the developing countries. It was hoped that the Committee would give some attention to this matter and would adopt policy measures to rectify the situation.

36. A number of representatives found the report before the Committee inadequate in that it did not contain any statistics beyond 1977. The point was also made that the report lacked information with regard to product areas under restraint, and how much of the developing countries' trade was affected by this. It was, therefore, suggested that the Committee should meet again next year when data for 1978 would be available.

37. The Chairman, in explaining the lack of recent statistics in COM.TEX/W/55, pointed out that only fragmentary data were available for 1978, and therefore a complete picture of recent trends could not be obtained. Figures for the major importing countries covering some 80 per cent of imports of all developed members indicated, however, a resumption of trade in the first half of 1978, while production had either declined or recorded only a marginal increase. Compared with the first half of the previous year the imports of the eight developed countries surveyed, had increased by 22 per cent in value. In this growth, supplies from developing countries had shared equally with imports from other origins.

38. The representative of Japan said that 1977 was a bad year for the Japanese textile industry. Production had declined by 7 per cent, and domestic demand by 8 per cent, thus resulting in increasing bankruptcies. 1978 was not promising, though there was some sign of recovery in production and demand, the value of exports had declined and imports had substantially increased. For the first eight months of 1978 over the same period in 1977, exports had increased by 7 per cent in dollar value, but had declined by 10 per cent in volume, whereas imports had recorded a 48 per cent increase in dollar value and 63 per cent increase in volume. The rise in imports was mainly due to increased offtakes from neighbouring countries.

39. The spokesman for the EEC said that the statistics in COM.TEX/W/55, on the basis of which comments had been made by some speakers, were figures in current United States dollars. He then presented a preliminary picture of developments in textiles within the Community in 1978. For the first



eight months of the year, production of textiles and clothing had declined by 8 and 7 per cent respectively. Prospects of the industry were better than in 1977 however, but still uncertain. With regard to trade, all textile products under restraint had been divided by the Community into five groups. For the first six months of 1978, compared to the first six months of 1977, the growth in the volume of imports from developing countries for the five product groups had tended to follow total extra EEC imports, with the exception of product groups 3 and 5, where the increase had been at a faster rate than total.

(d) Statistical reporting scheme

40. The Chairman then invited the Committee to consider the question of the collection of statistical and other information necessary for the discharge of its functions under Article 10:2. He recalled that the Technical Sub-Group on Textile Documentation had met in 1974 to examine the statistical requirements of the Textiles Committee in terms of this Article. The Sub-Group had recommended that all parties to the Arrangement report regularly to the secretariat, trade statistics on textiles and clothing of cotton, wool and man-made fibres, production statistics for representative product groups and statistics on the general state of the textile and clothing industry (see COM.TEX/3, paragraphs 14 and 15). The Sub-Group had further recommended that the reporting scheme be re-examined in the light of experience with a view to assessing its adequacy and the progress made towards better comparability of the data submitted. The Chairman suggested that it might now be time to review the operation of the reporting scheme at a further meeting of the Sub-Group to be held early in 1979.

41. This proposal was supported by the representatives of Egypt, Hong Kong, EEC, United States and Brazil. In addition, the representative of Egypt pointed out that from experience, the Textiles Committee had not sufficient time to undertake adequate analysis of developments in production and trade, including any measures to facilitate adjustment. He, therefore, suggested that this task should be either delegated to the Sub-Group or given to a supplementary working group established for this purpose. This suggestion was supported by the representative of the United Kingdom for Hong Kong who said that the mandate of the Sub-Group should be flexible and suggested that when the group met, it should have before it as many statistics as possible for the whole of 1978. This latter point was also supported by the delegate from India.

42. The Chairman in interpreting the view of the Committee as favourable to a meeting of the Sub-Group, proposed that the date of the meeting be fixed after consultations with delegations. The question of a more flexible mandate for the Sub-Group would also be discussed during these consultations.

(e) Reporting on measures to facilitate adjustment

43. The Chairman said that the Committee was also required under Article 10:2 to undertake an analysis of any measures taken to facilitate adjustment. The last report on the subject had been prepared for the major review (COM.TEX/W/36 and Add.1), on the basis of information supplied by participating countries. Since then no further information had been received from participating countries. He, therefore, suggested that the

Committee should invite all parties to the Arrangement to update the information contained in the report on adjustment measures. The material thus collected would be made available to the Committee for the next review of the Arrangement. He further suggested that, in the meantime, the Technical Sub-Group when meeting in early 1979 could also consider the question of reporting on adjustment measures.

44. The Committee endorsed the suggestion put forward by the Chairman. Many representatives stressed that information on adjustment measures was, necessary for the Committee to discharge its function, and it was thus incumbent on the participating countries to submit such information. It was pointed out that in their submissions participants should include not only measures taken, but also policies adopted by them to encourage such adjustments. A summary of the main points raised in the discussion of this subject follows below.

45. The representative of Yugoslavia, referring to a recent report by the European Commission, pointed to an observation therein that those companies which had followed closely the evolution of fashion, or had utilized up-to-date equipment continued to prosper in the face of savage competition. Furthermore, the report stated that restrictions could only delay adjustment and slow down economic development. He agreed with this observation and emphasized that adjustment policy measures were of utmost importance in that they would help to speed up the return to a fair and consistent application of the MFA. He, therefore, urged that a report on such measures should be made available to the Committee.

46. The representative of Egypt said that in order to enable the Committee to consider ways and means of furthering the expansion and liberalization of trade in textiles, it should have before it a report on adjustment measures taken by participating countries. He suggested that in future, the question of adjustment measures should be placed, as a separate item, on the agenda of every meeting of the Committee.

47. The representative of the United Kingdom on behalf of Hong Kong reiterated the importance of adjustment assistance, and drew the attention of the Committee to paragraph 4 of Article 1 under which participating countries were required to pursue policies which "would encourage businesses which are less competitive internationally to move progressively into more viable lines of production or into other sectors of the economy and provide increased access to their markets for textile products from developing countries".

48. The representative of India supported the proposal that at its next meeting the Committee should have a report on adjustment measures. It was necessary to pay attention to this matter from the first year of the extended Arrangement, and thereby avoid a situation where at the end of the third year it was found that since nothing had been done, it was necessary for the present system to continue. This matter of adjustment should, therefore, be kept under constant review by the Committee.

49. The spokesman for the EEC explained the Community's position with respect to structural adjustments. He said that the EEC had tried to normalize the expansion of imports. The industry had faced critical

competition from an abnormal expansion of exports during the 1974-76 period. With the normalization of imports, the industry would have enough time, until 1982, to make the necessary adjustments. The industry had been made aware of the fact that the Community would not seek to extend the use of departures beyond 1982. An internal appreciation of the appropriate adjustment programmes had begun to take shape. The policy of the Commission was to create the necessary environment for industry to make the adjustments. The Commission would have to harmonize the policies of the member States, and harmonize production statistics with trade statistics. In the final analysis, the industry would have to be the master of its own destiny.

50. The representative of India said that he had taken note that the EEC textile industry had been made aware that it should not expect indefinite protection. He, however, did not share the view that governments had limited ability to assist industry. Governments today had several instruments which could be used effectively. In this context, he referred to some dangers of the EEC plan with respect to synthetic fibres, known as the Davignon Plan. Such a plan could mean cartelization and rising costs of production due to lack of competition. Rise in prices of such basic materials as fibres, would further reduce the competitiveness of the textile industry, which could then lead to further demands for protection.

(f) The membership of the Textiles Surveillance Body for the year 1979

51. The Chairman noted that the current term of membership was due to expire on 31 December 1978. The Committee was thus required to consider, at the present meeting, the composition of the TSB for 1979. In this regard

he recalled that since the establishment of the TSB, considerable time and effort had been devoted by the Committee with a view to finding harmonious, equitable and balanced representation on the Body. In the circumstances, it was surprising that in the past years participation in the Body's activities had not always been constant, and that the Body had often met without full attendance. It was for these reasons that the Chairman reiterated what he had previously said, that given their very important and demanding tasks, members of the Body would be expected to be available at all times to participate fully in the work of the Body. It was important that members should be competent in the domain of textiles and trade policy matters. This must be borne in mind by the governments concerned in designating members on the Body.

52. The Chairman, referring to the consultations which had been held regarding the membership, proposed that the TSB for the year 1979 should be composed of members designated by the following parties: Canada, Colombia, EEC, Egypt, Hong Kong, Japan, the Philippines and the United States. This proposal was endorsed by the Committee.

#### Other business

53. The Committee heard a statement by the observer from the International Labour Organisation on their activities in the field of textiles. He said that the ILO Textiles Committee, which periodically examined the employment and social problems in the industry, held its Tenth Session in April 1978. It had adopted conclusions and resolutions on matters of interest to the textile industry such as training requirements, employment and working conditions, multinational enterprises and statistical data. He further

informed the Committee that the ILO Second Technical Meeting on the Clothing Industry was scheduled for 1980, and envisaged the possibility of collaboration between the two organizations with a view to solving the social and commercial problems of this sector.

Date of next meeting

54. In the course of the discussion, it was suggested by some representatives that the Committee should agree on a meeting to be held some time in July 1979. It was, however, agreed to leave this matter open, and the Chairman would fix the date of the next meeting in the light of developments and after consultations with delegations.