

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

COM.TEX/W/138
24 January 1983

Special Distribution

Textiles Committee

DRAFT REPORT OF THE COMMITTEE MEETING HELD ON
16 DECEMBER 1982

Chairman: Mr. A. Dunkel

1. The Textiles Committee held its second meeting under the 1981 Protocol of Extension on 16 December 1982. The agenda for the meeting was:

- (A) The first annual review of the operation of the Textiles Arrangement as extended by the 1981 Protocol;
- (B) Analysis of the current state of world production and trade in textile products;
- (C) Progress report on Adjustment;
- (D) Membership of the Textiles Surveillance Body for the year 1983;
- (E) Other business.

2. The Committee agreed to a proposal by the Chairman that agenda items (A) and (B) be taken up together.

Agenda item (A)

3. The Chairman reminded the Committee that Article 10:4 of the MFA required the Committee to review its operation once a year and report thereafter to the Council. To assist in its review of the first year of operation of the 1981 Protocol, the Committee had before it the report of the Textiles Surveillance Body on its activities during the period 1 November 1981-26 November 1982 (COM.TEX/SB/811 and Add.1). This report was also in fulfilment of the provisions of Article 11, paragraphs 11 and 12 which required the TSB to review all restrictions and bilateral agreements entered into by participating countries, and report annually its findings to the Textiles Committee.

4. The Chairman of the Textiles Surveillance Body, in presenting to the Committee the Annual Report of the TSB, prefaced his remarks by paying tribute to the previous Chairman, Ambassador Paul Wurth, for his help and advice during the transition. Observing that the MFA was at a beginning of a new lease of life and that consequently the number and range of new agreements notified under the 1981 Protocol had been small, he said that it

had not been possible at this stage to make an overall evaluation of the operation of the extended Arrangement. Further, due to time pressures the TSB had not reviewed information submitted under Article 11. During the course of 1983 it would be possible for the TSB to undertake such an evaluation and present to the next meeting of the Textiles Committee a clear picture of the state of textile trading relations under the MFA.

Agenda item (B)

5. The Chairman then drew attention to documents COM.TEX/W/134 and 135 containing basic statistical data on production and trade in textile products and an analysis thereof prepared by the secretariat. This analysis had been hindered by serious shortcomings in the availability and comparability of the basic statistical data, especially as regards the quantum measurement of trade in a period of wide fluctuations in foreign trade prices expressed in dollar terms. World production of textiles and clothing had declined slightly in 1980, 1981 and in the first half of 1982. The rate of expansion of world trade slackened in 1980 and 1981 and was likely to have slowed down further considerably in the first half of 1982. The trade flows which appeared to have made the greatest contribution to the expansion in the volume of world trade in 1981 were exports of textiles from developed to developing countries, exports of clothing from developing to developed countries and though relatively less important, trade in textiles among developing countries.

6. The Chairman in inviting comments on the three reports presented to the Committee for its consideration of items (A) and (B) suggested that delegates who wished to do so, might bring the Committee up to date on the state of bilateral negotiations entered into under the extended Arrangement.

7. The representative of Canada informed the Committee that his government had concluded under the 1981 Protocol of Extension Article 4 agreements with eleven countries: Hong Kong, Korea, India, Macao, Malaysia, Thailand, Philippines, Singapore, Poland, Romania and Czechoslovakia. Bilateral agreements had also been concluded with the People's Republic of China, Taiwan and Bulgaria outside the Multifibre Arrangement; however, the provisions of these agreements, in Canada's view, would not be inconsistent with the Arrangement. With the exception of the agreement with the Philippines, all the agreements had been ratified. Canada had also concluded, under Article 4, an ad referendum agreement with Uruguay, which was in the process of ratification. Canada was currently negotiating agreements under Article 4 with Hungary, Sri Lanka and Pakistan, and was in the process of notifying the agreements which had been concluded and ratified to the Textiles Surveillance Body.

8. The spokesman for the European Economic Community recalled that at the conclusion of the negotiations of the 1981 Protocol of Extension he had said that the Community would have to undertake the second stage of bilateral negotiations before it could take a definite view on continued participation

in the MFA. Now with the satisfactory^{1/} conclusion of twenty-six bilateral agreements under Article 4 of the MFA^{2/}, this second stage had been accomplished and the Community was confident that it could play its part in assuring the orderly development of textile trade under the MFA as extended by the 1981 Protocol.

9. As the report by the GATT secretariat very effectively brought out, the textile sector worldwide was depressed and the Community too had experienced another difficult year. Figures for 1981 showed a further decline in production, while employment had dropped to levels causing serious concern. Total imports had also fallen, reflecting weak consumer demand. The decline in imports from developed countries was particularly apparent and it was evident that the rise in imports from those sources registered in 1980 was a temporary phenomenon. On the other hand, imports from developing countries had fared better.

10. The representative of Japan commented that 1982, the first year of the new Protocol of Extension, had been a most difficult year. The deep and prolonged recession had perpetuated in developed countries a climate of uncertainty which severely inhibited investment and structural adjustment. There was consequently an increasingly protectionist environment, and under mounting pressure some governments were taking trade restrictive measures. At the same time many developing countries had serious balance-of-payments problems and not a few of them were as a result carrying increasing debt burdens. It was against this background that many bilateral agreements under MFA III had been negotiated and concluded. He was pleased that it had been possible for a number of participants to conclude so many bilateral agreements and particularly glad that the EEC had concluded almost all its bilateral negotiations. Japan desired that the TSB, which would examine and review these agreements, would carry out its responsibilities effectively and efficiently and in accordance with the provisions of the MFA.

11. Referring to the textile trade of Japan, he said that Japan's exports from January to October 1982 amounted to \$4.6 billion, a decline of 11.2 per cent by value and 8.3 per cent by volume as compared with the corresponding period in 1981. Japan's imports of manufactured textile products in the same period amounted to \$2.7 billion, an increase by 4.5 per cent in value and 24.5 per cent in volume. Japan and Switzerland were the only developed importing countries which had not taken restrictive action under the MFA. In the current recessionary situation, the Japanese government was facing strong pressure to take restrictive

^{1/}The list of countries with which the EEC has concluded Article 4 bilateral agreements is as follows: Sri Lanka, Pakistan, Peru, Uruguay, Thailand, Poland, Czechoslovakia, Bangladesh, Bulgaria, Haiti, Romania, Hungary, Guatemala, Egypt, Yugoslavia, India, Colombia, Mexico, Philippines, Malaysia, Singapore, Brazil, Indonesia, Hong Kong, Macao and Korea.

action but would do its best to continue to pursue a liberal trade policy. The MFA represented a delicate balance of interests between importing and exporting countries and all countries should have understanding for each others' trade problems so that world textile trade could develop smoothly.

12. The representative of the United States informed the Committee that since the last meeting his government had notified to the TSB bilateral agreements with five MFA participants, (Brazil, Japan, Mexico, Pakistan and Singapore) and a six-month extension of the agreement with Thailand. The review by the TSB of these agreements was reflected in the report, with the exception of that with Hong Kong, the review of which had not then been completed. Agreements with seven other participants (Colombia, Hungary, India, Indonesia, Korea, Philippines and Romania) had been initialled or signed and would be notified to the TSB as soon as documentation was received in Geneva. Bilateral agreements had also been concluded with three non-participants in the MFA, namely Haiti, Taiwan and Mauritius. Consultations had been entered into with the Maldives. Currently, the United States had in force twenty-six bilateral agreements with twenty-five countries, of which eighteen were MFA participants and seven non-participants.

13. Referring to textiles trade, he said that the reports prepared by the secretariat showed that for the United States as for most countries, 1981 was a difficult year. All of the indices of production, employment and capacity utilization were down in 1982 as compared with 1981. As far as trade was concerned, for the twelve-month period ending September 1982, total imports into the United States in terms of volume were up by 10.4 per cent. Imports of apparel for the period were up by 12.9 per cent. In terms of value for the first six months of 1982, imports of textiles and clothing had gone up by 8.6 per cent, while exports were down by 21 per cent.

14. The representative of Austria commented that the notifications so far reviewed by the TSB were not sufficient to permit an overall assessment. Austria would be greatly interested in such an assessment. Austria had extended in terms of MFA III the existing bilateral agreements with the Republic of Korea, Brazil, India and Hong Kong. The agreements with Korea and Brazil had been notified to the TSB and those with India and Hong Kong would be notified shortly. Also, under MFA III a new restraint agreement had been concluded with the Philippines. An export surveillance system had been agreed upon with Singapore and Thailand. Consultations with two countries were pending. In these agreements Austria had, as it had since the inception of the MFA, continued to apply a selective approach; safeguard measures had been taken only in respect of a very limited number of products. So far, existing bilateral agreements had been concluded in line with the original MFA without having recourse to certain provisions of the Protocol of Extension. Austria, however, reserved its right to invoke any of those provisions in case of need.

15. The representative of Finland stated that all bilateral agreements that had been notified had been reviewed by the TSB and information was in the TSB's Annual Report. Recently, Finland had concluded four Article 4 agreements with India, Korea, Thailand and Romania and a consultation agreement with Malaysia. All these agreements would be notified shortly to the TSB. As always, Finland in these agreements had been selective, covering only the most sensitive product categories.

16. The representative of Colombia, speaking on behalf of developing exporting countries, expressed satisfaction at seeing Ambassador Raffaelli as Chairman of the Textiles Surveillance Body. He expressed continuing and permanent interest in the activities of the Textiles Committee and in evaluation of the situation regarding international trade in textiles within the context of the Multifibre Arrangement. The year 1982 had been taken up with the processes of bilateral negotiations. These had not always been satisfactory. However, as mentioned in the introductory section of the TSB report, the number and range of new agreements and measures notified had been too small for substantive evaluation to be undertaken at this stage. He expressed the hope that in the near future when the substantive results of all bilateral negotiations carried out by the major importing countries was available, it would be possible to have a full and detailed discussion.

17. The representative of Brazil requested the secretariat at the outset to broaden the scope of statistical information contained in the reports with a view to enabling the Committee to better assess the evolution of trade in textiles. In the first instance information on total world textiles trade with appropriate breakdown should be included. That total figure for 1981 was, he believed, around \$125 billion of which developing countries exported only \$25 billion. Secondly, the share of exports from developing countries in the domestic markets of importing countries, broken down by source, should be included. Such statistical information was very important for the Committee to discharge its responsibilities.

18. At this stage he was, like others, not in a position to make comprehensive comments on the bilateral agreements which had been signed or initialled in 1982. However, he wished to comment on some of the consultations and the negotiations that had taken place. When he spoke of negotiations, he had strong doubts whether what took place could, in fact, be described as a process of negotiation, since Brazil's experience had been that agreement had been practically imposed. When a large importer faced the exporting country with the option of either accepting the quantities offered, or of the importer leaving the legal framework to apply unilateral measures with quantities far below what it had offered, this could hardly be termed a negotiation.

19. The consequences of such actions, he said, went far beyond the question of textiles. In fact, the consequences to the GATT system had already become evident. For instance, in spite of serious attempts to reach an

understanding on safeguards in the context of the Ministerial meeting, the experience of the recent textiles negotiation had damaged any possibility of success on the safeguards issue. First, the utilization of "objective criteria" for market disruption or injury or damage had also lost its credibility and meaning: now it was not only more a question of having better objective criteria, but that it was useless to have any criteria because such criteria were simply not respected. This had a bearing not only on the safeguards issue but on the credibility of GATT and its capacity to deal with such problems in the foreseeable future. Second, the concept of a mutually acceptable solution had been so abused in the bilateral textile negotiations, that it had no credibility in relation to the safeguards issue.

20. Brazil, like other developing countries, was looking with great expectation to the task that lay ahead for the TSB. He stressed the fact that two governments having come to an agreement did not, by itself, give such an agreement any definite legal status under the multilateral framework of the MFA. Multilateral surveillance by the TSB and the Textiles Committee were there for this very end to check the conformity or not of bilateral agreements to the MFA.

21. Welcoming the decision taken at the Ministerial meeting which upgraded the issue of textiles, the representative of Brazil said Textiles was too important an issue to be left to the Textiles Committee. The implications of existing restraints on textiles trade extended to trade as a whole, to the international economic and financial system, to the prospects of developing countries and consequently such implications should be examined necessarily on a global, strategic context.

22. Concluding, the representative of Brazil expressed dismay that, given the evident connotations of the term, his country among many others had been termed a "militant country", in reports that appeared during the course of recent negotiations.

23. The Chairman took note of the suggestions made by the representative of Brazil in respect of improvements in the statistical information. It was pointed out that some broad information on the dollar value of world trade, and figures concerning shares of imports from different sources in individual countries were already contained in the secretariat report. The secretariat was ready to undertake consultations with delegations as to how this information could be further developed and elaborated.

24. The representative of the EEC, referring to the comment made on the negotiating attitude of the European Community, said that he did not understand the allusions that had been made. The Community had negotiated with its trading partners in good faith. He did not think that this was the occasion to undermine the authenticity and legitimacy of bilateral agreements negotiated under Article 4 of the MFA.

25. The representative of Switzerland referred to the difficult situation in the textiles and particularly clothing sector in his country in 1981 and 1982. Despite renewed pressures, Switzerland, like Japan, had not taken any

restrictive action under the MFA. This was possible only under the firm assumption that whenever necessary the provisions of the Arrangement would be available to Switzerland as to any other party to the MFA. He stressed that the Arrangement should be applied in an objective manner by all participants, be they importers or exporters. He would be presenting some corrections to COM.TEX/SB/811/Add.1, where some adjustments and updating as far as Switzerland was concerned seemed necessary.

26. The representative of Pakistan commented on the significance of this meeting of the Textiles Committee. It was the first substantive meeting since the conclusion of the Protocol of Extension, the first since a new Chairman of the TSB had been nominated and the first since the conclusion of the GATT Ministerial meeting. The Ministerial meeting had taken a decision on textiles which he hoped would set right a situation where textiles continued to be outside the purview of GATT. He had expressed the hope at the last meeting that the new MFA would signify a better discipline and a better deal for Article 6 countries, and it was with this hope that Pakistan had pursued its bilateral negotiations. While it was too early to judge the effects of these negotiations, not only on Pakistan's trade with developed countries but also with developing countries, there was no doubt that bilateral agreements kept exports far below potential. The time available for the study of the documents before the Committee had been too short to allow detailed comment. However, at this stage he could say that the picture presented was not a happy one. He hoped the new Chairman of the TSB would ensure that the rôle of surveillance was fully discharged.

27. The representative of Israel, referring to paragraph 38 of the report of the TSB, said that Israel had in the meantime informed the TSB that there had been no change in the import régime in 1982 relating to textiles.

Agenda item (C)

28. The Chairman of the Sub-Committee on Adjustment referred the Committee to the annual report on the first meeting of the Sub-Committee contained in COM.TEX/29. At that meeting, the Sub-Committee had noted that the collection of factual information and analysis needed for the monitoring of adjustment policies and measures and of the autonomous process of adjustment would be a continuing process leading, in particular, to as complete and comprehensive a report as possible to the Textiles Committee for the major review required under Article 10:4 of the MFA. The Sub-Committee had set up a Technical Sub-Group which was entrusted with the task of securing information relevant to the work, and an analysis of this information in the light of its mandate. The Sub-Committee had also agreed that the Technical Sub-Group would meet as necessary in order, in the first instance, to enable it to establish a report which would be forwarded for consideration by the Textiles Committee not later than the autumn of 1983.

29. Due to the pressure of work connected with the Ministerial meeting, there had been no formal meeting of the Technical Sub-Group until now but informal consultations had been held with various members of the Sub-Group.

As a result, drafts of two questionnaires relevant for the purpose of Article 1.4 and 10.2 of the MFA had been drawn up. These questionnaires would be sent to participating countries in order to obtain information relevant to the work of the Sub-Committee. He expressed the hope that at the meeting of the Technical Sub-Group to be held in mid-January, there would be agreement to send out the questionnaires to governments with indications that the necessary information should be submitted to the secretariat by 15 May 1983. This would permit the secretariat to carry out a further processing of the information needed by the Technical Sub-Group for the purpose of a report by the Sub-Committee to the Textiles Committee.

Agenda item (D)

30. The Chairman invited the Committee to consider the composition of the TSB for the year 1983. He said he would like to underline the importance that he personally attached to the work of the TSB and to the high responsibility it carried. He hoped that members to be nominated by those countries designated would be in a position to devote all necessary time to the work of the TSB and to participate actively in the tasks performed by it. Participation in the TSB's work no doubt placed a heavy burden on members. However, it was important that the Chairman should get maximum support.

31. Following consultations with delegations, and in the light of discussions held regarding this question, the Chairman proposed that the TSB for the year 1983 be composed of members from the following participating countries: EEC, Hong Kong, Japan, Mexico, Pakistan, Sweden, Thailand and the United States. This proposal was endorsed by the Committee.

32. The representative of Brazil invited the attention of the Committee and in particular of the members of the TSB to a recent decision, in the context of the Ministerial meeting, on the operation of panels and dispute settlement. Although such a decision was not addressed to the TSB, it had, in his view, a bearing on the work of the TSB and on the way it would operate. In particular he stressed the elements of this decision that stated that panels should present clear findings. While it was his view that the findings of the TSB had become much clearer this year, he felt it was of particular importance in the future that TSB findings were clear and that recommendations were presented whenever appropriate. He was also of the view that the Ministerial decision about not blocking the process of dispute settlement had clear analogies for the TSB.

33. The representative of the United Kingdom speaking for Hong Kong emphasized that it was his understanding that TSB members were appointed on a personal basis and that although they were nominated by certain governments, parties to the MFA, their primary and in fact their complete responsibility was not to those governments or countries but to all participants and to the upholding of the MFA. At this stage in the work of the TSB when it was about to embark upon a new year in which a large number of bilateral agreements

would be presented to it under the new MFA, he thought it was particularly important for the Textiles Committee to underline once again the position that members of the TSB were designated ad personam, and that they should not be participating in the work of the TSB on the basis that they were looking after their own country's interests.

34. The representative of India supporting what the Chairman had said about the importance of the Textiles Surveillance Body during 1983, pointed out that a number of important bilateral agreements would come before the TSB for review in 1983, and that the real efficacy of the TSB would then be tested. He expressed the view that the TSB should not be constrained by the fact that agreements under Article 4 had been concluded between sovereign authorities. This did not absolve it of the responsibility of examining the content of the agreement on the touchstone of the specific content of the MFA. The TSB had a very responsible rôle to play in 1983 and he hoped that the expectations from it in 1983 would be fully upheld.

Agenda item (E)

35. Under the item "Other business", the Chairman drew the attention of the Committee to the decision taken at the Ministerial meeting to carry out, on a priority basis, a study on textiles and clothing. The GATT Council would early next year take decisions in respect of implementing the Ministerial declaration.

Date of next meeting

36. In view of the fact that the extended Arrangement would expire at the end of July 1986, it was suggested that it might be appropriate to change the date of the annual meetings of the Textiles Committee to June/July instead of December. It was, however, felt that such a changeover might be considered at a later date, and that the next meeting of the Committee for the purpose of the annual review could be held in December 1983. The Committee could, of course, meet before such a date if deemed necessary.

37. The Chairman expressed the hope that at the next annual meeting the Committee would be in a position to have a substantive discussion on the basis of a complete report by the TSB. He recalled that at the conclusion of the negotiation of the Protocol of Extension at the end of 1981 he had expressed the hope that the spirit which then prevailed would prevail also in the course of bilateral negotiations. It would be evident in 1983 if his hopes had been fulfilled.

Derestriction of documents

38. The Committee agreed to a proposal by the Chairman to derestrict after this meeting documents COM.TEX/W/134 and COM.TEX/W/135.