

**GENERAL AGREEMENT ON
TARIFFS AND TRADE**

RESTRICTED

MDF/W/6

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WORKING PARTY ON TEXTILES AND CLOTHING

At its meeting of 11-12 July 1984, the Working Party asked the Chairman to invite interested participants to submit modalities for liberalization and the ways they might be examined for consideration by the Working Party (Spec(84)45, paragraph 2). Submissions pursuant to this invitation would be on a non-attributable basis and would not commit any delegation (paragraph 4).

The attached material incorporates submissions presented to the Secretariat by interested participants under those paragraphs.

1. The base premise of this paper is that the terms of reference of the WP refer to all trade inhibiting practices when referring to "examining modalities for further trade liberalization in textiles and clothing", and not just those negotiated or imposed pursuant to the MFA. Or to put it another way, the WP should consider modalities for liberalization of practices which are in full conformity with the GATT, as well as those which have not been definitely tested, those which are subject to an agreed derogation (such as the MFA), and those which would be judged to fall outside permissible GATT practice.

2. It is the thesis of this paper that the work of the WP would be greatly facilitated if agreement could be reached on the broad categories of current trade-inhibiting practices in the field of textiles and clothing, on their respective status vis-à-vis the GATT, and on the different basic substantive and time terms for modalities of trade liberalization.

3. With this thesis in mind, and with the aim of helping the WP develop a conceptual framework for selecting and analysing various modalities, it is suggested that, as an initial step, the general parameters of such an analysis and examination could be presented on the following lines:

(a) The MFA and a return to regular GATT provisions

- (i) No renewal of the MFA
- (ii) An agreed phase-out through an extended MFA
- (iii) A new MFA
 - (1) product coverage
 - (2) supplier coverage
 - (3) time frame
 - (4) other provisions (e.g. structural adjustment)

(b) Tariffs

- (i) General
- (ii) Anomalies
- (iii) Scope for negotiation

(c) Non-Tariff Measures

- (i) GATT consistent
- (ii) Possibly non-GATT consistent

(d) State Trading

(e) Relationship with other trade negotiating processes

4. This material could be presented and developed more fully in tabular form along the lines of the attached chart. If members of the WP so agree, the secretariat could be asked to develop each of the items in each of the columns as fully as necessary to allow the WP to come to a judgement as to whether all relevant possibilities had been touched upon. The WP could then discuss in greater detail those modalities it judged to warrant further examination.

5. The general framework in which the activities of the Working Party are placed is the Ministerial declaration of 29 November 1982 "to examine ways and means of, and to pursue measures aimed at, liberalizing trade in textiles and clothing ...". In the examination process which is now the primary task of the Working Party, further trade liberalization should be seen as a common effort in which all countries engaged in international trade in this sector should co-operate, generally taking their current systems of restraints and restrictions as their individual points of departure.

6. The subsequent reference in the Ministerial declaration to "the eventual application of the General Agreement" and the phrase "the possibilities for bringing about the full application of GATT provisions" in paragraph 2 of the annexed decision on Textiles and Clothing together identify one hypothesis that the Working Party must examine. Other hypotheses for further liberalization should however receive equally close examination. Participants should be free to contribute additional ideas at any time.

7. Paragraph 5.36 of the Background Study draws attention to the fact that the full application of GATT provisions would constitute a genuine measure of further liberalization only under certain conditions - that it would bring "trade under the liberal precepts of the GATT", implying "a change in policies ... that would amount to an overall reduction in the level of protection and the elimination of discrimination". Two sets of questions arise in this connection, relating to the acceptance of the liberal precepts and to their application in practice.

8. In the first instance the Working Party should consider what conditions would have to exist in order to provide an assurance that the liberal precepts of the GATT could become feasible for, and would be beneficial to, all participants. The conditions for such a new "spirit" cannot be expected to emerge spontaneously, so the Working Party needs also to examine what practical steps would be necessary to create them. Moreover, even if such conditions were to come into existence, there could continue to be circumstances in which some participating countries would be justified in having recourse to the protective mechanisms of the GATT to an extent that could diminish significantly the overall reduction in protection. The Working Party should examine such a situation.

9. The Working Party should approach these issues from the premise that progress towards further trade liberalization is a responsibility shared by all. All participants should therefore be prepared to contribute to the achievement of better balance in trade relations in this sector. Among developed countries, for example, this would lead to a better distribution of the burden of imports from LDCs. The contributions of developing countries should reflect the fact that not only production but also demand in these countries is expected to increase more rapidly than in the developed countries. The Working Party should also take account of the fact that there are differences between countries in their status vis-à-vis the MFA and the GATT itself. The liberalization effort ought to apply also to those countries whose systems of restraints and restrictions derive from bases other than the two instruments mentioned.

10. The background study observes that if a decision is taken to bring trade in textiles and clothing under the liberal precepts of the GATT "it is for the governments to decide how that transition can best be made and what interim measures would be needed". This implies that consideration should be given to adding a time dimension to the modalities under examination. The Working Party should therefore study what measures would favour progress in the implementation of liberalization and how these might be phased. It would also be for the Working Party to consider whether such measures might be derived from the MFA by extension or adaptation, or should be of some other kind. In looking at a possible transition period, consideration should be given to the possibility of reviewing progress towards the objective of greater liberalization.

11. The possibility of a period of transition towards full application suggests that the Working Party might find it useful to consider the context in which liberalization would be pursued. Among the relevant factors would be the evolution of the world economy as a whole; the development of trade in the sector, including trends in export earnings and their distribution among developing countries; progress in the technology of textile and clothing manufacture; changes in production capacity and the prospects for demand. The social consequences of liberalization are also an important factor for industrialized countries.

12. Against this background, it would appear desirable to examine practical measures such as the following:

- reducing the number of existing limits and applying them more flexibly;
- the progressive elimination of non-tariff barriers to trade;
- simplifying administrative procedures;
- eliminating high tariffs having a prohibitive effect on trade;
- special benefit measures, for example for new and small suppliers, and in particular for the least developed countries.

It is not suggested that such measures should apply identically to all products in the sector. Thus the possibility that certain subsectors might be able to move faster than others towards liberalization need not be excluded.

13. The protection of industrial and intellectual property is an important element. Liberalization of trade would be facilitated by progress in the adoption of satisfactory regulations against copying and misappropriation of designs and patterns, false labelling, etc.

14. Suggested modalities of further trade liberalization should specify the administrative provisions necessary to make their implementation feasible. Greater transparency in the textile trade policies of all participating countries and the provision of more complete data on trade flows, consumption trends, production capacities etc. would help to improve the decision-making process.

TYPE OF MEASURE ^{1/}	CURRENT GATT STATUS ^{2/}	FULL APPLICATION OF GATT PROVISIONS ^{3/}	POSSIBLE MODALITIES FOR TRADE LIBERALIZATION ^{4/}	IMPACT ON TRADE FLOWS ^{5/}	IMPACT ON PRODUCTION AND EMPLOYMENT IN MFA & NON-MFA COUNTRIES ^{6/}
<ul style="list-style-type: none"> * <u>Quantitative Restrictions (QRs)</u> ** MFA ** GATT Art. 18 ** GATT Art. 19 ** Other * <u>Tariff Quotas</u> * <u>Tariffs</u> * MTN * Art. 18 * Other * <u>Subsidies</u> * <u>State trading import limitations</u> * <u>Grey zone measures</u> 	<p>Agreed derogation etc.</p>				

1/ Other measures should be added or sub-divided as appropriate.

2/ The status of each measure with respect to GATT should be delineated as precisely as possible. In cases where the GATT status has not been definitively determined, this should be pointed out and previous discussions in GATT fora (if applicable) should be referenced.

3/4/ The possibilities for bringing a measure under full application of GATT provisions and for further liberalization with respect to each measure should be listed. Opportunities for liberalization which could be negotiated should also be considered.

5/6/ At least some attempt should be made to assess what liberalization of any measure would mean in terms of trade flows and, to the extent possible, production and employment patterns. Such an analysis should deal with how changes in restraint practices would affect market access under present régimes, as well as the likely affect of such changes on future trade and production patterns.