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GENERAL AGREEMENT ON TARIFFS AND TRADE

Textiles Committee

REPORT OF THE COMMITTEE MEETING
HELD ON 17 and 22 OCTOBER 1984

Chairman: Mr. A. Dunkel

1. The Textiles Committee held its sixth meeting under the 1981 Protocol of Extension on 17 and 22 October 1984. The agenda for the meeting was:

- A. Accession by the Republic of Panama to the Arrangement Regarding International Trade in Textiles.
- B. Major Review of the Arrangement as extended by the 1981 Protocol in the light of its operation in the preceding years. To assist in this review the Committee had before it the following documents:
 - (i) A report by the TSB on the operation of the MFA since January 1982.
 - (ii) A survey by the Secretariat on "Demand, Production and Trade in Textiles and Clothing", and "Textiles and Clothing Statistics".
 - (iii) A report by the Sub-Committee on Adjustment.
- C. Recent developments affecting international trade in textiles and clothing.
- D. A report by the TSB on its examination of the matter referred to it by the Textiles Committee at its meeting held on 4-5 September 1984.
- E. Membership of the TSB in 1985.
- F. Other Business.

A. Accession by the Republic of Panama to the Arrangement Regarding International Trade in Textiles

2. The Chairman recalled that the request received from the Republic of Panama had been circulated to participating countries in document COM.TEX/W/153 dated 12 September 1984. In its request, the Republic of Panama expressed the wish to accede to the Arrangement and accepted both the provisions thereof and the 1981 Protocol of Extension without reservation. It also accepted all the obligations deriving from the Arrangement, including the undertaking not to introduce new import restrictions or intensify existing import restrictions on textile products insofar as such action would be inconsistent with the GATT provisions. Panama would notify in due course its existing restrictions on textile trade to the TSB. It would expect, upon its accession to the Arrangement, to be entitled to a treatment equivalent to that accorded to other participating countries with similar systems and levels of development. The Chairman invited delegations to make comments they might have with respect to the request before the Committee.

3. There being no objection to Panama's request, the Chairman said that the Committee had accepted the participation by the Republic of Panama in the MFA. He expressed on behalf of all members of the Committee a warm welcome to the delegation of Panama. He informed the Committee that as a matter of procedure, Panama would be invited to send to the Director-General, as the depository of the Arrangement, a letter confirming its notification as set out in document COM.TEX/W/153 with reference to the decision taken by the Committee. The effective date of Panama's accession to the MFA would be the date on which this letter was received by the Director-General. He invited the delegation of Panama to attend the rest of the meeting.

B. Major Review of the Arrangement as extended by the 1981 Protocol in the light of its operation in the preceding years

4. The Chairman suggested, and the Committee agreed, that Items B and C of the agenda should be considered together as the two items were inter-related.

5. The Chairman referred the Committee to Article 10:4 of the Arrangement which required it to review the operation of the Arrangement once a year and to report thereon to the GATT Council. The review during the third year should be a major review of the Arrangement in the light of its operation in the preceding years. To assist in the review, the Committee had before it a report by the TSB on its activities during the period 1 January 1982 to 3 August 1984 (COM.TEX/SB/984 and Add.1). The TSB report also fulfilled the obligation under Article 11, paragraphs 11 and 12, which required the Body to review all restrictions and bilateral agreements and to report annually its findings to the Textiles Committee. The Committee also had before it a report on demand, production and trade in textiles and clothing from 1978 to 1983 (COM.TEX/W/156) and relevant statistical data in document COM.TEX/W/157. The third set of documents for the Major Review was a report by the Sub-Committee on Adjustment contained in document COM.TEX/37.

C. Recent developments affecting international trade in textiles and clothing

6. In introducing Item C, the Chairman said that the background of this agenda item was contained in the two reports of the special Committee meetings held in January and September 1984 (COM.TEX/36 and COM.TEX/38). In January, the Committee discussed the United States announcement on 16 December 1983 of its new internal "textiles trade policy and procedure", designed to deal with problems relating to import increases in textile categories not presently subject to restraint (consultation procedures). During that meeting, "serious concerns were expressed regarding these measures and their implications", and the Committee decided "to keep all matters covered at that session and other relevant elements under review". At the same time, the Committee accepted a proposal by the representative of Pakistan, made on behalf of a group of developing countries, that "the TSB should, in its report for the Major Review, present a review of the way in which the consultation provisions of the agreements concluded under the 1981 Protocol of Extension have been applied". The review by the TSB was contained in Chapter 6 of the TSB report (COM.TEX/SB/984). In September, the Committee met in special session to consider two sets of measures by the United States. One involved countervailing duty petitions against textiles and clothing products from thirteen developing exporters and the other concerned country-of-origin regulations. The Committee noted the deep concerns that these developments would disrupt the international trade in textiles and clothing, as well as a common view that the United States should withdraw or at least postpone implementation of the new rules of origin to enable consultations and appropriate solutions. This matter was raised at the Council meeting on 2 October.

7. The Chairman of the Textiles Surveillance Body said that the TSB report covered the work of the Body during the MFA III period up to 3 August 1984. The report also included a chapter on the application of consultation provisions concluded under the 1981 Protocol of Extension, in accordance with a decision by the Textiles Committee at its meeting in January 1984, and another chapter containing an analysis of the implementation of the MFA as requested by the Textiles Committee at its meeting in December 1983. The Chairman highlighted the salient elements contained in the TSB report. Referring to new participants in MFA III, he stressed the importance the TSB attached to receiving full reports under Article 2:1 with respect to the restrictions maintained by them on joining the MFA. He noted that the report by one such participant was long overdue. He called attention to paragraphs 5.56 to 5.58 of the report, concerning the need for timely notification under Article 4:4, and emphasized that participating countries should adhere strictly to the notification requirements contained therein. He added that the workload of the TSB had been heavy, and continued to increase. He drew the attention of the Textiles Committee to paragraph 3.3 of the report, and appealed to governments to bear this in mind in nominating members of the TSB for 1985.

8. The Chairman of the Sub-Committee on Adjustment, in presenting the report of the Sub-Committee, recalled that during the last regular meeting of the Textiles Committee held in December 1983, the Sub-Committee was able to submit only an interim report. At that time the Sub-Committee was of the view that it was necessary to fill certain gaps in the available information in order to provide a fuller picture of developments under the relevant headings of the two Questionnaires (Unnumbered A and B), which were sent to all participants. Thus, the Sub-Committee, along with its Technical Sub-Group, decided to continue the work with the objective of securing and analysing such information in time for a complete and comprehensive report to be presented to the Textiles Committee, for the purpose of this Major Review. He pointed out that the report was divided into two parts, the main text of the report itself and an annex entitled "Summary of Findings". The "Summary of Findings" was a synthesis of the information submitted by members as well as other statistical information on production and trade available in the secretariat. It covered chiefly the period 1978 to 1982 as most information submitted by participants pertained to that period. As to the report itself, it corresponded to the main headings of the Questionnaires. He drew the attention of the Committee specifically to paragraph 27 of the report containing an assessment of adjustment measures, the last sentence of paragraph 28 on the requirements of Article 1:4 of the MFA, and the recommendations of the Sub-Committee in paragraphs 29 and 30 in respect of its future work programme and said that these recommendations were submitted for the consideration of the Textiles Committee.

9. Most of the delegates who spoke on these two agenda items expressed thanks to both the Chairman of the TSB and the Chairman of the Sub-Committee on Adjustment for the efforts deployed by them and for the respective reports before the Committee. They also expressed appreciation for the documentation prepared by the secretariat.

10. The representative of Mexico, speaking on behalf of developing countries, exporters of textiles and clothing, stressed the importance of this session of the Textiles Committee, being the first occasion for a comprehensive review of the operation of the Arrangement since the entry into force of the 1981 Protocol of Extension. While noting that the TSB report indicated increasing effectiveness in reaching decisions, he expressed concern at the inadequacies the TSB had encountered in the application of the 1981 Protocol, reflecting a lack of respect for the provisions of the Protocol by certain importing countries and ultimately the credibility of the Arrangement itself.

11. Referring to Chapter 7 of the TSB report, he observed that the objectives and aims of the MFA, as stated in Article 1:2; namely, the expansion of trade, the reduction of barriers to such trade and the progressive liberalization of world trade in textile products had not been attained. Specifically, restraints under the MFA had been applied almost exclusively to products from developing countries; restraints under MFA III had been more extensive and in many cases more restrictive with across the board invocation either of "exceptional circumstances" or of the need to

maintain minimum viable production. The more severe application of the MFA's provisions had adversely affected the production and marketing programmes of exporting countries, even though the MFA explicitly recognized the need for developing countries to receive special treatment. Little or no headway had been made in the objectives of achieving the reduction of barriers and the progressive liberalization of world trade. In view of these findings of the TSB, he considered the observation in the TSB's report that some progress might have been made during the life of MFA III with respect to the orderly development of world trade and to the increase in export earnings of developing countries as being inconsistent. Any real increase in export earnings had taken place within the scope of negotiated limits and often as a result of currency fluctuations. The "orderly development" of trade had also benefited developed countries which had increased their textile exports to the largest markets.

12. He further stated that paragraph 7:8 of the report confirmed that the balance between the interests of exporting and importing countries had become distorted in favour of the latter group and that the multilateral disciplines negotiated into the present Protocol of Extension had been largely ignored by the importing countries which had applied new concepts in their textile trade policies that completely deviated from the original purpose of the MFA. He expressed deep concern at the abusive use of consultation provisions contained in the bilateral agreements, initially designed to permit the negotiation of restraints when market disruption could be demonstrated with respect to products not previously subject to restraint. Devices such as threshold levels and trigger points in the mechanism had pre-empted any demonstration of market disruption. Further, the application by the United States of additional criteria establishing a "presumption of market disruption or threat thereof" constituted a unilaterally determined automatic trigger mechanism which, since their announcement on 16 December 1983, had resulted in an unprecedented number of restraints being applied. The developing exporting countries had already voiced their deep concerns that these measures were in total contravention of the spirit and basic objectives of the MFA, particularly Article 6, and paragraph 12 of the 1981 Protocol.

13. Referring to Chapter 6 of the TSB report, he said that while it provided a description of the extent to which the consultation provisions were utilized since the agreements became effective, it was to be regretted that the report contained no information on essential numerical elements for establishing a case of market disruption, as defined in Annex A of the MFA. Nor was there information to measure the extent to which the developing countries were impeded in increasing their exports. Consequently, Chapter 6 failed to provide for a full and thorough assessment on the basis of which the Textiles Committee could draw any meaningful conclusions.

14. He said that in assessing the operation of the MFA, the Textiles Committee should not ignore the proliferation of additional trade measures taken by importing countries outside the realm of the MFA, particularly the initiation of the countervailing duty investigations by the United States on imports of textile and clothing products from thirteen developing exporters and the new Customs Regulations Amendments. The unilateral imposition of the new rules of origin discouraged legitimate trade and were in clear violation of Article 9 of the Arrangement and paragraph 5 of the Protocol of Extension. The countervailing duty actions were clearly a further attack on the interests of the developing exporting countries and were a harassment to trade, being imposed on imports already subject to restraint. They had been directed against those developing countries to which the United States did not apply an injury criterion in violation of Articles I and VI of GATT and of the Decision by the CONTRACTING PARTIES of 28 November 1979. Furthermore, these trade measures nullified the objectives of the Arrangement, created the risk of trade diversion, and initiated competition among importing countries in the use of additional techniques for discouraging textile and clothing imports from developing countries. He said that they should be withdrawn and emphasized the point made by the developing exporting countries at the GATT Council Meeting on 2 October that the United States should enter into plurilateral consultations with a view to finding appropriate solutions and to rectifying the problems that had been posed to their trade.

15. Referring to the report of the Sub-Committee on Adjustment, the representative of Mexico commented that it failed to address the central issue of whether the commitments of Article 1:4 had been met. Noting that the purpose of structural adjustment was to permit increased market access for the exports of developing countries, he stressed that this increased access had not occurred and that structural adjustment had not been taking place. Further, where adjustment policies had been taken, they tended to impede rather than encourage the process of autonomous adjustment. As regards COM.TEX/W/156, he said that he had comments on that document as a contribution to the debate which were being circulated to the Committee (COM.TEX/W/160).

16. It was his conclusion that the report of the TSB, and the proliferation of other measures discussed in the Committee earlier this year, stood in strong contrast to the commitments entered into by Ministers in 1982 to resist protectionist pressures, to pursue measures aimed at liberalizing trade in textiles and clothing, to adhere strictly to the rules of the MFA, and to give fullest consideration to the trading interests of other contracting parties and the shared objective of trade liberalizations and expansion.

17. At a later stage in the discussion, the representative of Mexico requested that the United States countervailing duty actions and the Revised Customs Regulations should be kept under review by the Committee.

18. All representatives of developing countries who spoke under these two agenda items supported the statement made by the representative of Mexico.

19. The representative of Malaysia speaking on behalf of the ASEAN member countries, signatories to the MFA, noted that trade in textiles and clothing was a chequered picture of structural adjustment and sensitivities which had manifested itself in bilateral agreements and various unilateral actions. He said that by agreeing to a derogation from GATT principles, the developing countries had hoped for orderly and expanding trade but performance and fulfilment of commitments had fallen far short of these expectations and the report of the TSB confirmed this situation. The TSB report had highlighted the inadequacies in applying the 1981 Protocol and presented an objective analysis and recommendations. Referring to Chapter 7 of the report, he pointed to the deterioration in the operation of the MFA as manifested by the increase in restrictions placed on products of developing countries and the extensive use of the concepts of exceptional circumstances and minimum viable production. The unilateral interpretations had led to the imposition of restraints in contravention of the letter and spirit of the Arrangement and as the TSB report noted in paragraph 7.12, the brunt of such more severe application of the MFA's provisions had been borne by exporting countries. The ASEAN took particular note of this point.

20. The representative of Brazil expressed appreciation for the improvements contained in the present TSB report, particularly the critical examination and analysis. Commenting on the last conclusion of the report, he pointed out that orderly development of world trade was less an objective than perhaps an instrument. In any case, it should not be considered as an end in itself. Taken in isolation from the major objectives of the MFA, it could only serve protectionist purposes. He noted that the apparent increase in export earnings of the developing countries could only be said to have existed in value terms, and this was substantially due to exchange rate factors, since actual growth could only take place within controlled quantitative limits or close surveillance in the form of basket-extractors. As to the major objectives set out in the MFA, the TSB left no doubt as to the fact that there had been little or no headway in reducing barriers to trade in textiles and clothing. The MFA had served as a restrictive framework utilized by the importing countries to avoid competition. It was his view that the increasing need for restrictions demonstrated the absence of adjustment measures in developed countries and an encouragement of uncompetitive activities. He concluded his statement by saying that the GATT was embarking on two convergent processes of debate concerning textiles and clothing. What went on in the Textiles Committee could not overlook what was going on in the formulation of modalities for liberalization of trade in textiles and clothing and vice versa. If progress were to be made in the future, developing countries should not be made scapegoats for the failure of developed countries to show political will and flexibility, in their own alleged search for free trade.

21. The representative of China said that since the entry into force of MFA III, the situation in international trade in textiles had been unsettled. He therefore stressed the importance of this review of the operation of the Arrangement. Since the MFA was a derogation from basic GATT principles of non-discrimination, Most Favoured Nation treatment and free trade and since exporting countries were not receiving the full benefit of the MFA, the developing countries had been given an unfair treatment twice. During the three years since the operation of MFA III, certain

importing countries, particularly the United States, had applied more and more severe restrictions to the imports from the developing countries. Following the application of the additional criteria of "presumption of market disruption" in December 1983, the United States had announced the new regulations regarding rules of origin. These unilateral actions were not only in violation of the principles of the MFA but also inconsistent with the general practices of international trade and seriously affected production and exports of textiles and clothing of the developing countries. It was also noted that in the past few years, recession in the world economy had been aggravated by the expansion of restrictions in some importing countries. In the past year, the economies of the developed countries had experienced recovery, but import restrictions imposed by them had not been reduced but intensified. He urged that concrete measures should be taken to progressively open the markets to trade in textiles and clothing in order to revert to the basic principles of the GATT. To this end, an important task confronting the Textiles Committee was to encourage strict adherence to the provisions of the MFA. Therefore, restrictions inconsistent with the MFA should be terminated and no new restrictions should be introduced.

22. He stated that in the past year, China, like other developing exporting countries, had been injured by trade protectionist measures. It was of particular concern that soon after the conclusion of the Sino-American bilateral agreement, the United States imposed a further series of restrictive measures on textiles from China. Requests for consultation had been continuously put forward by the United States reaching as many as twenty one categories of textile products. Moreover, most calls did not provide sufficient proof of the existence of market disruption. It was also felt that China's exports of textiles would be seriously affected by the new regulations concerning rules of origin by the United States and the Chinese Government had repeatedly made representations stating its position. China was assessing the economic losses that would incur, and declared that the responsibility for the possible negative effects on the development of the bilateral trade had to be borne by the Government of the United States. He expressed the hope that the United States would consider seriously the request by the developing exporting countries and immediately stop applying protectionist measures.

23. The spokesman for the EEC said that it was particularly useful to have in the TSB report an annex on the economic background, thus permitting deliberations in the context of the present economic and trade realities. As far as the Community's economy was concerned, gross domestic product in 1982 and 1983 had grown only by 0.6 and 0.9 per cent respectively. Since 1978, the average rate of unemployment had doubled and was estimated to have reached a level of about twelve and a half million. Although it seemed that economic recovery was on its way in the Community, such a recovery was gradual and uncertainties existed still. Textiles and clothing remained a key sector in the Community's industry. Growth of consumer expenditure on clothing had been lower than that of total consumer expenditure virtually every year and there was no indication that this would change radically in the future. Moreover, production in the EEC had been falling at an average rate of about 3.5 per cent for clothing and 2.5 per cent for textiles during

the first two years of MFA III, continuing a five year drop since 1978. The slight recovery of production taking place in 1984 did not indicate a change of trend. Besides, this recovery was not evenly spread amongst the various regions of the Community and with respect to various product categories. He recalled that employment in textiles and clothing had fallen by 43 and 37 per cent respectively between 1973 and 1983, and was continuing to fall. This was occurring in regions where alternative opportunities for employment were difficult to find.

24. Referring to the TSB report, he said that the analysis therein of the operation of MFA III was generally correct. However, he drew attention to the fact that the product coverage, the invocation of exceptional circumstances, the use of consultation mechanisms and the recourse to MFA safeguards by the importing countries had been strongly influenced by the underlying economic factors. He noted that the TSB had been aware of this fact. The EEC had not invoked the "anti-surge" clause, and the "basket exit mechanism" had been used much less frequently than under MFA II. The EEC was still concerned with fraud which tended to have a negative impact on the development of trade and had not always received the co-operation emphasized in Article 8 of the MFA and paragraph 14 of the 1981 Protocol. Under MFA III, the Community had in general been able to conclude and administer its bilateral agreements so as to allow trade to develop, and to preserve for exporters of textiles and clothing the security of access to its market. The Community had been seeking the co-operation and understanding of its trading partners and had attempted to maintain a climate of mutual confidence and reliability. The development of trade was illustrated by the increasing import penetration into the Community market to 48 per cent at present and the fact that the share of extra-EEC imports held by developing countries had grown and reached in 1983 more than 50 per cent for textiles and 79 per cent for clothing.

25. He said that he fully endorsed the introductory remarks contained in documents COM.TEX/W/156 and 157 and drew attention to the fact that trade figures expressed in US dollars should be interpreted carefully, bearing in mind the value of the dollar had appreciated by 56 per cent against EEC currencies since 1980. Table 6 of document COM.TEX/W/156 showed that textiles and clothing imports into the EEC had fallen in dollar terms between 1980 and 1983; but expressed in ECU, the same table would show that imports had increased by 21 per cent for textiles and 33 per cent for clothing. He said that additional trade data in volume terms would allow a more complete appraisal of trade developments.

26. Referring to the report by the Sub-Committee on Adjustment, he said that it provided a valuable and informative analysis of the adjustment processes which were taking place, despite the incomplete nature of data and the difficulties encountered in their interpretation. Within the EEC, both individual companies which bore the direct impact of changing conditions, and public authorities which had to face the economic and social consequences, continued to adapt and restructure in difficult market conditions.

27. On the question of the new country of origin regulations introduced by the United States, the EEC reaffirmed its views expressed on previous occasions.

28. In conclusion, the spokesman for the EEC said that the MFA had helped the EEC in alleviating certain difficulties, without impeding the normal development of exports from developing countries to the EEC. He expressed the hope that co-operation could continue, or be expanded, within this framework during the next two years with a view to resolving problems in the textiles sector on a mutually acceptable basis.

29. The representative of India said that attempts should be made to answer the following questions: (a) Had the basic purposes for which a derogation had been sought from free trade rules of GATT since 1974 been achieved? (b) Had the basic objectives of the Arrangement been fulfilled? (c) Had the stated principal aim of the MFA been achieved? It was clear to him that what was meant to be a short-term derogation intended to provide a breathing space to achieve the necessary autonomous industrial adjustment process had become an instrument of institutionalized protectionism. The MFA had been used by the developed countries as a vehicle for helping inefficient industries by introducing wide-ranging restraints on imports from developing exporting countries and by the pursuit of domestic support measures inconsistent with the directives contained in the Arrangement. Structural adjustment had been hampered by restraining imports from sources which had a comparative advantage, even though studies had shown that problems in the developed countries were due to such factors as technological innovations, gains in productivity and structural rigidities.

30. Referring to the TSB report, he said that it reflected a lack of respect for the provisions of the MFA and its Protocol by certain importing countries, and even raised the question of the credibility of the Arrangement itself. It stated that restraints under the MFA had, since its inception, been applied progressively to a larger number of developing countries and to a larger number of products, with little regard to the provisions of the Arrangement relating to more favourable treatment to small suppliers, new entrants and cotton producing exporting countries. Given the crucial importance of the textiles and clothing industries in the economies of the developing countries, such operation of the Arrangement could only be said to impede their economic and social development. In this connection, he pointed out that the reference to orderly development and increase in export earnings in the conclusions of the report appeared to be based on an inadequate appreciation of facts. The fact was that exporting developing countries had been pegged at a limited share of the world trade in textiles and clothing. Indeed, the shares of non-restrained participants and non-participants in the Arrangement had tended to increase. Therefore, one of the principal aims of the Arrangement of securing a substantial increase and greater share in export earnings for the developing countries had remained illusory. The TSB review itself pointed out that little or no headway had been made in the objectives of achieving the reduction of barriers and progressive liberalisation of world trade. This unsatisfactory

situation was mainly the result of non-compliance even with the minimum discipline provided for within the Arrangement itself. Whilst negotiating the Protocol of 1981, the participants had undertaken that safeguard measures would only be applied if there existed a situation of market disruption or real risk thereof, and that the discipline of Annex A and procedures of Articles 3 and 4 would be fully respected. The report of the TSB clearly showed that these undertakings had remained unfulfilled. Importing countries had specifically been asked to refrain from resorting to additional trade measures which would have the effect of nullifying the objectives of this Arrangement, but measures taken by a country in the form of rules of origin regulations, countervailing duty investigations, etc. would lead to a complete breakdown of the discipline of the MFA and upset the carefully negotiated balance of interests between the exporting and importing countries, in favour of the latter. This development was also evident in the use of the consultation mechanism under the various bilateral agreements and the frequency with which the provisions of paragraph 5 of Article 3 had been invoked. The TSB report clearly mentioned that there had been an increasing resort to unilateral imposition of restraints. It was expected that the TSB, while examining the operation of consultation mechanisms in Chapter 6 of its report, would provide numerical data in terms of the provisions of Annex A. The TSB was not able to do so, perhaps because this information was not provided to it by the importing countries. If the TSB with all its authority could not collect such information, then he would like to leave it to the judgement of this Committee whether the exporting countries would have been successful in persuading the importing countries to part with it.

31. In conclusion, he said that the aim of the review was to take stock of the existing position in order to take corrective measures for the future. In this respect, the CONTRACTING PARTIES had clearly mandated that while examining the possibilities of applying the rules of GATT to trade in textiles and clothing, the disciplines of the MFA should be fully respected in the interim. Since the current Arrangement would still be valid for some time, he suggested that the Committee should resolve to put an end to the aberrations and derogations which had been noticed in the operation of the MFA, and that positive steps be taken during its remaining lifetime, with a view to achieving its principal aims and basic objectives. If this opportunity was not taken, the credibility of the whole multilateral trading system would be at risk.

32. The representative of the United Kingdom, speaking on behalf of Hong Kong referred to Chapter 6 of the TSB report concerning consultation provisions and said that the first and most obvious conclusion that could be drawn from it was that the United States had had far greater recourse to the consultation mechanism in 1983 and 1984 than any other importer. To some extent this might not be surprising since the strong US dollar during this period, combined with the recovery of the United States economy and of consumer expenditure, had led to increases in imports, including textiles imports. However, an increase in imports alone was not sufficient to justify restraints. There was a danger that when such extensive recourse was made, the objectives and disciplines of the MFA might in some cases be lost sight of. That this had occurred was evident from the fact that a number of the United States consultation calls had been challenged in the TSB, and complaints upheld. In this context, he emphasized the contents of paragraph 7.10 of the TSB report.

33. He said that Chapter 6 was supposed to contain statistics that would allow the Committee to judge the impact of the implementation of the consultation provisions on the access offered to the exporting countries in the market of the importing country. However, there was no information to indicate the size of the markets or the shares that particular exporters had achieved in the particular products concerned. This was a major deficiency in a review of the operation of a mechanism that was supposedly based on the market disruption criteria in Annex A of the MFA. It was not possible to conclude that the operation of the consultation mechanism by the United States had been satisfactory when so many exporters continued to feel that their position was prejudiced by the current spate of United States consultation calls. At least 110 calls had been made since 16 December 1983. A number of these had already been the subject of complaints to the TSB and at least fifteen cases were still pending in that Body. This should be a matter of serious concern to this Committee.

34. On the overall conclusions of the TSB report, he said that it seemed clear from Chapter 7 that the process of erosion of the provisions of the MFA, had continued under MFA III, as illustrated by such elements as lower base levels, lower growth rates, lower flexibility, excessive recourse to "exceptional circumstances" and a generally more severe implementation of the Arrangement. This deterioration had taken place despite the disappearance of the "reasonable departures" clause by the use of exceptions prescribed in clauses such as those contained in paragraphs 6, 9, 10 and 11 of the 1981 Protocol. The final conclusion by the TSB that little or no headway had been made in the objectives of achieving the reduction of barriers and the progressive liberalization of world trade in textiles was depressing. It served to highlight the importance of the work now being undertaken by the GATT Working Party on Textiles and Clothing, directed towards both liberalization and the possible eventual return of this sector to the full application of the principles of the GATT.

35. Referring to the report by the Sub-Committee on Adjustment, he pointed out that it did not contain an assessment of the extent to which measures taken by importing countries had prompted their less competitive businesses to move to viable lines of production or other sectors of the economy. However, it was clear that the autonomous industrial adjustment process had not been operating freely in the importing countries. Importing countries should be urged to pursue appropriate economic and social policies required by changes in the pattern of trade in textiles and in the comparative advantage of particular countries.

36. Commenting on document COM.TEX/W/156, he said that paragraph 101 would have given a fuller and more balanced picture if it had contained: (a) an indication of the growth of imports into the main developed markets and the growth of exports from Hong Kong not only for 1983, when they recovered strongly, but also for preceding years; and, (b) an indication of the growth of exports, also over a period of several years, from the main developed suppliers and the growth of imports into Hong Kong. Moreover, the statistics relating to Hong Kong were subject to serious limitations, being deduced from value statistics rather than directly from quantity figures; indeed, they appeared to include non-MFA textiles and clothing.

37. On the question of countervailing duty petitions in the United States, Hong Kong had expressed at meetings of this Committee and the GATT Council its deep concern. However, Hong Kong wished to re-emphasize that there was a clear distinction between the legitimate exercise of rights and obligations by importing countries under the MFA on the one hand, and a concerted industry action, targeted against a whole class of exporters and against a comprehensive range of textile and garments products, on the other. The latter was what had happened in this case, and would appear to amount to trade harassment in violation of the letter and spirit of the MFA. As to the revised United States customs regulations, he recalled the common concern expressed at the meeting of the Committee in September, and at the GATT Council meeting on 2 October. He pointed to the complexity and ambiguity of the regulations which now had been implemented and said that partly because of this uncertainty, orders had been held up or cancelled. Although initially the regulations were explained as clarifying or codifying existing origin rules, subsequent explanations had admitted that they also actually changed some of the rules. This helped to underline one of the fundamental objections to the regulations, i.e. that goods which had hitherto been accepted as originating in a country and hence able to enter the United States under its quota would no longer be able to do so. Moreover, the documentation requirements were time-consuming, difficult to comply with, and involved the disclosure of commercially sensitive information. In the textiles sector, where trade was governed by the framework of the GATT, the MFA and the bilateral agreements, it was clear that rules of origin could not be unilaterally changed as a protective measure by one party, so substantially changing the framework of rules governing the textiles trade, and in some cases resulting in substantial trade loss by other parties. Accordingly, it was clear that the only satisfactory solution was for these regulations to be rescinded. The fact that imports into the United States were increasing was irrelevant. If there was a perceived problem, the range of solutions which could be considered was circumscribed by the existence of international obligations. It could be of interest to note that in volume terms, United States MFA imports from Hong Kong in 1983 were still lower than the level achieved in 1978.

38. Reverting to the previous discussion in the Committee, he noted with regret that despite the widespread and genuine concern expressed, there had yet been no substantial response by the United States to the views contained in the Chairman's conclusions at that meeting. Despite this and other recent problems, he still hoped that the United States' long commitment to combating protectionism would prevail in this case and that the regulations would be withdrawn. In conclusion, he requested that the two matters of countervailing duty petitions in the United States and the revised United States customs regulations be kept under review by the Textiles Committee.

39. The representative of Korea, referring to the importance of textile production to the Korean economy, stated that 25 per cent of total exports and the same percentage of domestic employment in manufacturing was in the textiles sector. Therefore, exports of textiles had held a key position in Korea's economic developments. Accordingly, measures including the abuse of

the call system, unjustified cutbacks of the base levels, restraint of annual increase rates and tightened flexibilities taken by the importing countries, had a serious impact on Korea's textiles industry. It was his view that these measures ran counter to the spirit and objectives of the MFA and that rectification should be made in these areas by the importing countries.

40. The representative of Egypt expressed optimism that holding the Textiles Committee meeting before the session of the CONTRACTING PARTIES might be regarded as an indication that trade in textiles would come to be considered more closely in the light of GATT procedures and less as of an exception. In this regard, he recalled the commitments made by developed countries at the highest levels to ensure that trade policies were consistent with GATT principles, to resist protectionist pressures and to avoid any measures which would distort international trade. While this was a reason for prudent optimism, he expressed deep disappointment and concern at the continuation of restrictive trade policies and procedures applied by developed countries particularly in the face of the current recovery from the economic recession in the developed countries. He commented that these conditions were even more critical as the burden of protectionist measures fell exclusively on the developing countries. He urged the Committee to keep all matters under review as a means of carrying out its mandate of supervising the operation of the MFA. He also urged that the Committee should give more meaning to its earlier decisions of keeping certain matters under review, and should consider the ways and means of implementing such decisions. With regard to the TSB, he noted that the strict adherence to the procedural idea of consensus had turned the TSB into a negotiating forum for negotiated texts and conclusions. In his view, the drive for consensus could sometimes be useful, but it should never take place at the expense of equitable and just application of the MFA.

41. The representative of Poland referred to paragraph 7.9(a) of the TSB report which stated that in all agreements concluded with major suppliers and most concluded with Eastern European suppliers, the growth and flexibility provisions were lower and in some cases much lower than in previous agreements. He said that Poland had felt the burden of this situation with its adverse effects on trade. He also referred to the statistical data in COM.TEX/W/156, Tables 2 and 3, which indicated that changes in production relative to changes in employment suggested a more positive trend in the productivity factor in developing and Eastern European countries compared to that in developed countries. However, he noted that the current circumstances precluded the application of this comparative advantage. As regards the report of the Sub-Committee on Adjustment, he suggested that certain gaps in the data might possibly be supplied by the missions in Geneva.

42. The representative of Uruguay stressed the importance of this major review in view of, inter alia, the Ministerial Decision of 1982 and the work underway aiming at establishing a better balance in this field of international trade. He expressed concern that rules or standards had been insufficient in checking the present disorder and there was a risk of the international trading system running into chaos. The General Agreement was fraught with a number of exceptions or derogations which did not meet the

criteria established in the GATT itself. Even the MFA, sanctioned by GATT, was the subject of all sorts of violations. The rules had been ignored when bilateral agreements were negotiated between importers and exporters with a great many exceptions to the general rules including the recent introduction of new rules of origin and countervailing duty petitions. He referred to the problem of low growth rates accorded to wool categories in the bilateral agreements concluded by the United States as set out in paragraph 5.174 of the TSB report and expressed the hope that this problem could be settled.

43. The representative of Japan endorsed the analysis and conclusions set out in Chapter 7 of the TSB report. He reiterated Japan's position vis-à-vis the MFA, that reductions in base levels should not be permitted and that provisions for growth and flexibility should be adhered to. He noted the constant recourse to, or abuse of, consultation clause for introducing new restraints particularly in cases involving a relatively small volume of imports or small share in domestic consumption. He urged that importing countries, when making calls for consultation, should provide sufficient factual information to establish clearly and persuasively a situation of market disruption, as required in Annex A of the MFA.

44. He expressed appreciation for the efforts made by the Sub-Committee on Adjustment and expressed the hope that other participating countries would strive for structural adjustments with more zeal than before, and not resort easily to restrictive measures. He gave a brief explanation of the present adjustment situation in the Japanese textiles industry. While facing mounting difficulties during recent years due to the stagnation of domestic demand and increasing competition from exporting countries, Japan had developed a policy to help the textile industry adapt to the changing circumstances by: (a) supporting the disposition of surplus capacity; (b) assisting in facilitation of business conversions; (c) accelerating changes towards knowledge-oriented industry; (d) assisting in development of new sophisticated products which would meet consumers' preferences; and (e) developing new manufacturing technologies.

45. He noted with regret the fact that the United States had implemented the new country of origin regulations from 7 September, in spite of the common view expressed in the Textiles Committee held on 4 and 5 September that the regulations should be withdrawn or at least postponed. He expressed his concern about the adverse effects of the regulations on international trade relations in textiles and that such regulations might work as a non-tariff barrier. Through ambiguities in the country of origin criteria, they imposed on exporters a great burden in preparing evidence and documents for the declaration, causing delays in customs clearances. The requirement of cost information was an excessively heavy burden for exporters as sometimes confidential information was asked for from individual manufacturers. He expressed the hope that the United States Government would study this situation thoroughly and reconsider the regulations already implemented.

46. The representative of Turkey stated that the report of the TSB clearly showed that the implementation of the MFA had not fulfilled the expectation of the developing countries. The various provisions designed to assist developing countries in gaining access to the industrialized countries' markets had been ignored, while unsubstantiated claims of market disruption were used to restrict the exports of developing countries, many of which were heavily dependent on textiles and clothing for their foreign exchange earnings. Regarding the initiation by the United States of countervailing duty investigations on imports from thirteen developing countries including Turkey, he stated that this measure was incompatible with the commitments undertaken by the United States under the GATT and the MFA. In the case of Turkey, its share of the relevant United States market was very small and many of the products were hand-made so that the claim that these products caused injury to United States producers could not be seriously considered. These petitions should therefore be dismissed and the investigation terminated. Similarly, the new rules of origin imposed by the United States authorities would only serve to harass trade as had been stated by representatives of both developed and developing countries and they should also be abandoned. These two items should remain on the agenda of the Textiles Committee.

47. The representative of Sweden, concurring with the comments by the Chairman of the TSB that the report should be taken in its entirety, stressed that it should be recognized that circumstances and economic conditions differed in individual countries resulting in the need for particular countries to avail themselves of certain provisions of the MFA and of the 1981 Protocol. He further suggested that all reports before the Committee should be considered in totality and not in isolation. He noted that considerable efforts towards structural adjustment were being made although the extent of the progress varied considerably among the countries in this area as some countries had undertaken adjustment programmes earlier than others. Referring to document COM.TEX/W/156, he cautioned against over-generalization in interpretation of individual statistical graphs, referring specifically to paragraph 33 therein.

48. As regards the new United States rules of origin regulations, he said that the Nordic countries had earlier on urged the United States to postpone implementation of the regulations. After further study of the situation, their view remained that the measures were put in place too quickly and without sufficient information being provided by the United States authorities leading to uncertainty in the trade. Concern was expressed that these regulations would complicate trade and increase costs for exporters resulting in a non-tariff barrier to trade. The Nordic countries would request the United States for consultations on this question in the near future.

49. The representative of Canada commented that the TSB report had established that there had been an increasing number of restraints under MFA III, some involving more restrictive provisions than under MFA II, as well as more frequent resort by some countries to use of Article 3 actions. On this basis the report tended to suggest that experience with MFA III had been regressive in terms of the MFA objectives of gradual liberalization and

expansion of world trade in textiles and clothing. Nevertheless, the report also noted that the TSB was unable to determine to what extent the more severe implementation of the Arrangement was attributable to changes in the underlying economic factors relevant to textile and clothing trade, to changes in government attitudes regarding utilization of MFA, or to both. He said that in making any assessment of the operations of the MFA it was of critical importance to take into account the overall economic context. From the Canadian perspective, the increased number of restraints negotiated by Canada since 1981 had occurred against a background of several significant economic and trade factors that had impacted negatively on the domestic industry.

50. The severe recession in 1982 had resulted in a substantial decline in Canada's textiles and clothing work-force. These were the largest declines in employment of any major importing country as reported in the GATT secretariat study. The same report also showed that, among importing countries, Canada also experienced the largest decline in textiles and clothing production in 1982. While there had been some improvement during 1983, the Canadian industry had still not recovered from the 1982 decline. Moreover, imports of clothing from developing exporters increased slightly even in the severely depressed 1982 market conditions and had continued to climb at a pace far in excess of any domestic market recovery. Import growth had been particularly strong from newer sources, and the emergence of new sources as well as the growth provisions in arrangements with traditional suppliers had resulted, under MFA III, in a considerable expansion of imports to the Canadian market from developing countries. He noted that the share of developing clothing suppliers in the Canadian market had increased steadily under MFA III. Accordingly, although an increasing number of restraints might, when viewed in isolation, give the impression of a more restrictive régime, this was belied by the actual performance of imports.

51. The representative of the United States said that the evaluation of the operation of the MFA should be made in the context of its basic objectives. The United States had remained committed to the MFA, and had tried to apply its provisions in a fair manner. Its market had remained basically open. It had absorbed 95 per cent of the increase in non-oil producing developing countries exports between 1982 and 1983, which according to the IMF had been \$10.7 billion. The United States was now running a trade deficit of \$20 billion in manufactures with these countries compared to a surplus of \$25 billion in 1980. Trade in textiles and clothing had moved in the same direction. Within the upward trend in world trade, the United States had absorbed an increase of imports of 25 per cent in 1983. In the first eight months of 1984, imports increased by 43 per cent over the same period in 1983. Together with the increases in imports, exports had been declining, and the trade deficit in textiles and apparel continued to increase, from \$6.7 billion in 1982 to \$8.2 billion in 1983. The United States had imported substantially more in value terms than any other nation thus far in 1984. These figures testified to the achievement of at least one of the basic objectives of the MFA.

52. He said that he was aware of the concern about mounting protectionist pressures in the United States. Among the measures proposed had been a freeze on imports at the 1983 levels, global quotas, renegotiation of major agreements and a comprehensive licensing system. An unprecedented number of protectionist bills had been introduced in Congress, but not one was passed. The pressures on the government arose from the fact that substantial quantities of imports had entered the United States in an extremely disruptive manner. This had resulted in closures of plants, job losses, shortened work weeks, and reduced income for textile and apparel workers. In addition to the increase in imports, three other factors had affected the domestic market: fraudulent imports, over-shipments and an upsurge of imports of apparel of non-MFA fibres. The United States had been forced to embargo over-shipments of goods under specific limits, causing hardship to importers as well as to domestic producers. Large increases in imports of non-MFA fibre apparel were also causing problems because they were largely competitive with MFA apparel, a sector with a high import penetration. The United States had attempted to deal with the problem of a severely affected domestic industry within the MFA framework, and in a manner consistent with its principles. This had been done by clarifying the criteria by which possible cases of market disruption would be examined, by codifying customs regulations to prevent circumvention of bilateral agreements and by tightening procedures for detection of fraud and misrepresentation.

53. Referring to the criticisms by delegations because the United States had accepted the countervailing duty petitions, he stressed that the MFA explicitly provided that the provisions of the Arrangement should not affect the rights and obligations of participating countries under the GATT, including the right to take countervailing duty actions and anti-dumping actions. As regards Customs Regulations governing the rules of origin for textiles and apparel imports, he said that the United States did not consider them to be contrary to the MFA. They were designed to deal with loopholes which facilitated evasion of the intent of bilateral agreements. Certain changes had already been introduced. All interested parties could express their views on the new interim regulations up to 1 November 1984 and the United States was willing to enter into consultations with any country on this matter. However, requests for consultations should not be based merely on complaints in principle, but rather should be based on facts in support of contentions that trade had been affected by these measures. He said that the United States firmly believed that issues could be thoroughly discussed on a bilateral basis rather than automatically referred for international scrutiny. It was regrettable that some trading partners felt it necessary to resort to a multilateral fora before discussing them bilaterally.

54. Since the conclusion of the 1981 Protocol of Extension, the world economy had undergone a severe recession, with economic stagnation in many developed and developing countries. Despite this, world trade in textiles and apparel had increased by 7 per cent. The principal impetus for this growth had been provided by the United States, which had led the way for expanded world trade in all sectors. In 1982 when world trade in textiles

actually declined in value terms, imports into the United States had increased. In 1983 when world trade in textiles and clothing expanded by only \$700 million, imports into the United States expanded by \$1.8 billion, more than making up for the reduced demand in the EC and Japanese markets. This trend had continued into 1984. He expressed the hope that in the remaining two years of the MFA, other markets would expand and thus allow continued orderly growth in world trade and textiles and apparel to all markets, both in developing and developed countries. He also expressed his continuing concern at the high level of tariff and non-tariff barriers which impeded the free flow of United States exports, which had declined dramatically during the past three years. While the strong dollar was partially responsible, tariff and non-tariff barriers also played a rôle. Progress in liberalizing entry into foreign markets for United States exports of goods and services was necessary to enable the United States to acquire the necessary support within the country on the advantages of open trade, and thus maintain open access to its own market. He appealed to governments of developed and developing countries to join in this effort. World trade in textiles had changed dramatically since the first MFA took effect in 1974, and the present Arrangement was not wholly satisfactory to anyone. If exporting countries had problems, so had the United States, which continued to believe that the best method for reconciling differing views was to work together.

55. Finally, the representative of the United States referred to the criticism by some trading partners that the additional criteria introduced in December 1983 was the equivalent of an automatic call mechanism. He said that it was not the case, and gave the following monthly cumulative figures on the number of cases considered on the one hand and the number of actual calls made on the other: January 1984, 143 cases, 18 calls; February, 155 cases, 9 calls; March, 168 cases, 14 calls; April, 165 cases, 6 calls; May, 177 cases, 16 calls; June, 186 cases, 15 calls; July, 218 cases, 8 calls. He also noted that none of the governments which criticised the United States countervailing duty actions earlier on suffered from any reduction in trade; all of them had achieved large increases in their exports to the open United States market.

56. The representative of Yugoslavia expressed concern with the increased protectionism and uncertainty developing countries had been exposed to in trade in textiles during the period under review. Such protectionism, including measures falling outside the MFA, had eroded the provisions and disciplines of the Arrangement to the detriment of developing countries and went contrary to the basic objectives of the Arrangement as extended by the 1981 Protocol. Her delegation was in full agreement with the conclusions of the TSB on the operation of the Arrangement, except with the finding which read "while some progress may have been made during the life of MFA III with respect to the orderly development of world trade in textiles and to the increase in export earnings of developing countries". This finding contradicted other findings, and the "orderly development" did not relate to the trade of developing countries. Furthermore, the statistical data provided in COM.TEX/W/157 showed that in the last three years the value of

developing countries exports had increased slightly. Referring to the treatment of the question of outward processing traffic (OPT) in the TSB report, she said that OPT imports should not be treated as normal imports under the MFA. GATT provisions did not permit quantitative restrictions on this trade. Since the initiative for such trade always originated in importing countries, the régime should be improved, at least by the extension of the so-called maximum level of processing.

57. The representative of Hungary said that the international trading environment for textiles and clothing had further deteriorated under MFA III as the concept of reasonable departures had been replaced by the practice of invoking, without exception, the exceptional circumstances clause. This had led to further unreasonable and unjustified departures from the General Agreement and the MFA. In addition, the unilateral administrative mechanisms practiced by major importing participants had contributed to the enforcement of protectionism vis-à-vis imports from restricted sources. As a result, unrestricted suppliers had gained further market access, and comparative advantage seemed to have been eliminated from international trade in textiles and clothing. He further stated that the bilateral agreements under MFA III and the unilateral administrative procedures applied, had resulted in the establishment of a network of complicated bureaucratic procedures in importing countries. Regarding structural adjustment, he said that the report of the Sub-Committee was procedural in nature. This reflected a situation that instead of the necessary structural adjustment taking place, only a consolidation of past structures had occurred. The possibility for producers in restricted countries to shift to new products was limited. If new products appeared in their markets, the importing countries would invoke without delay the built-in restrictive mechanisms against these products. Finally, he said that his delegation fully shared the findings relating to price clauses in bilateral agreements contained in paragraph 5.168 of the TSB report.

58. The representative of Austria, referring to the difficult economic situation in the textile sectors of both developed and developing countries, said that as reflected in the documentation before the Committee, Austria was suffering from a gradual closure of enterprises and job losses in its textile and clothing sectors. His government believed that the implementation of the MFA was a step in the right direction to address these difficulties. Within the context of the MFA, the recent measures taken by the United States had created problems for certain Austrian exports to the United States, thus confirming the concerns expressed by his delegation at the September meeting of the Textiles Committee. He expressed the hope that the aforementioned measures would be removed as soon as possible.

59. The representative of Pakistan stressed the significance of this session of the Textiles Committee in view of its obligation to undertake an analysis of the current state of world production and trade in textile products, and the means of furthering the expansion and liberalization of this trade. He commented that bilateral agreements had provided some satisfaction for his country when negotiated because they included positive

features in terms of the base levels. However, these benefits were negated by the possibility of premature invocation of consultation provisions restricting expansion. He expressed concern that restrictions had definitely widened both in terms of the number of products and the number of countries subject to restraints involving primarily the developing countries. He referred to Article 1:5 of the Arrangement stressing that safeguard measures were designed for exceptional circumstances but in practice, were becoming commonplace.

60. Recalling that the MFA encouraged a multilateral approach to trade problems, he pointed out that, in practice, this was not the case as the Arrangement had become a means of restricting exports of developing countries. He pointed out that claims of substantial increases in import levels by the United States had to be considered in the context of the recovery from the economic recession. In any case, much of the benefit had accrued to established suppliers and not to newer or smaller suppliers. He reminded the Committee that most of the bilateral agreements had been negotiated in a recession year. What was more important was that increases in the case of developing countries had been within their negotiated access rights. Besides, with very few exceptions, the prices of textile products imported from some developing countries were much higher than the producers' prices in the importing countries which were applying restrictions. Small suppliers and new entrants all wished to enter an expanding market but a new call system had totally checked any possibility for these suppliers to expand their trade.

61. The representative of Pakistan then went through the statistical data in document COM.TEX/W/156 and stated that imports in the EEC, the United States, Japan and Canada had been stagnant or levelled-off in recent years, and the performance of cotton-producing countries including Pakistan had been unsatisfactory, despite their comparative advantage in cotton and clothing products. Statistics also showed that Pakistan's exports to unrestrained markets had gone up considerably.

62. The representative of Colombia said that she was deeply concerned with the protectionist measures in the United States, particularly the countervailing duty measures which were targeted against Colombia among other countries. She said that there was no need for her to reiterate the problems facing Colombia in its efforts to join the Subsidies Code. She would simply like to remind the United States of its obligations under the MFA, the Protocol of Extension and the Ministerial Decision of 1982.

63. The representative of Peru referred to the conclusions contained in paragraph 7.12 of the TSB report and said that the first three points of the conclusions were sufficient to show that the orientation of the present régime was negative. She did not, however, agree with the last point of the conclusions which stated that "some progress may have been made during the life of MFA III with respect to the orderly development of world trade in textiles and to the increase in export earnings of developing countries" because it was exactly the opposite in fact. She said that the restrictions

to Peruvian exports had closed the access to the United States market. The "additional criteria" introduced by the United States in December 1983 which violated the basic elements of the MFA and its Annexes had resulted in reduced exports from Peru to that market. This violated Peru's rights to develop its industry and to improve the social well-being of its people at a time when Peru was using a high percentage of its export earnings to repay its external debt. She said that the United States CVD actions caused excessive prejudice to Peru. She asked how could exports from Peru create any problems for the United States when domestic production in the United States was increasing. The group of developing countries, exporters of textiles and clothing had asked for plurilateral consultations with the United States but the United States' response was that it could only agree to bilateral consultations, and that these consultations should be held in Washington. In conclusion, she said that she would like to reiterate the question asked by the delegate of India, which was: "Had the objectives of Article 1 of the MFA been achieved?". The answer was clear, all these objectives had been infringed completely.

64. The representative of Norway reported on the progress made by his government in implementing the MFA since the accession of Norway on 1 July 1984. The transformation of existing restrictions into bilateral agreements was continuing. To date, twelve agreements had been initialled. In addition, consultations had been conducted with four countries and it was hoped that agreements with them would be initialled before the end of the year. His government intended to conclude all consultations by 1 July 1985 so that requirements under Article 2 of the MFA would be met.

65. The representative of Czechoslovakia recalled that his country was a traditional exporter of textiles and clothing and had acceded to the MFA in good faith on the understanding that the MFA would bring stability and confidence in international trade in textiles in spite of the fact that this Arrangement meant de facto certain departure from the basic rules and principles of GATT. He expressed deep concern at the trade policy measures adopted recently by some developed countries and shared the views expressed in the analysis and conclusions of the TSB reports; namely, that during the last period there had been an increasing number of new restraints introduced both within the bilateral agreements and in some cases unilaterally, which were not justified under MFA. He stated that some of these restraints have been applied not only to developing countries but also to Czechoslovakia in spite of the fact that its market shares were too small to cause any real risk of market disruption.

66. Following the debate which took place in the Committee under Items B and C of the agenda, the Chairman said that he had been impressed by the serious and effective way in which delegations had participated in the major review of the Arrangement. While noting the improved quality of the documentation before the Committee, he said that the secretariat had taken note of the criticisms, suggestions and comments made in respect of this documentation. He expressed the hope that with the co-operation of the delegations, the documentation could be further improved. He noted the appreciation expressed for the work of both the Chairman of the TSB and the Chairman of the Sub-Committee on Adjustment.

67. He remarked that the review had covered a very wide range of questions and problems including the preparation and analysis of statistical data in respect of the evolution of trade in textiles and clothing and also the position of textiles and clothing in world trade. Comments were made in respect of the more general economic context in which the trade in textiles and clothing was taking place. A number of exporting countries had drawn attention to the very important links between developments in the textile and clothing trade and their own economic prospects. Comments had also been made on the impact of the 1981 Protocol on the evolution of trade and on the behaviour of participating countries, on the rôle of the TSB and possibilities of improving its capacity for surveillance and also on the rôle of adjustment policies. There had been, therefore, a real effort at stocktaking and appraisal. While he would not try to draw conclusions from the discussion, he would address what he considered to be some of its important aspects.

68. First, it was necessary to note that a review such as the present one should be regarded as a major contribution to transparency. It was equally important that such a review should be an occasion for a real dialogue because it was only through an effective exchange of views that each participant could better understand the position of his partners and take account of these positions when dealing with national policies at home. Secondly, the present review had taken a particular importance because the present situation was a difficult one and serious tensions did exist in the sector of international trade in textiles and clothing. The present review was also important because it was paving the way for next year's consideration of the future of the Arrangement. Thus, the report on the proceedings of this Committee would be of great importance to the Council and the contracting parties, not only in the context of the normal proceedings of the GATT, but also of the work programme adopted by the Ministers in 1982 and its basic political direction.

69. On point (C) of the agenda, Recent Developments Affecting International Trade in Textiles and Clothing, the Chairman said that his understanding of the discussion was that there had been a reiteration of the positions taken by the members of the Textiles Committee in the previous discussions in the Committee of this item as well as of the positions taken at the last Council meeting. The Committee had heard a number of appeals and suggestions from all sides directed to the United States delegation, both with respect to the overall character of the measures taken, and with respect to some of their specific aspects. These matters would, of course, be kept under review. He expressed the hope that this meeting had served a useful purpose in bringing out the concerns and preoccupations of governments in this matter.

D. A report by the TSB on its examination of the matter referred to it by the Textiles Committee at its meeting held on 4-5 September 1984

70. The Chairman referred to the meeting held on 4-5 September 1984 (COM.TEX/38) and said that during that meeting the Committee noted a common view that, as requested by exporting developing countries, the matter of countervailing duty actions be "examined by the TSB in the light of Article 9 of the MFA and paragraph 23 of the Protocol of Extension, and the result of this examination should be considered by the Textiles Committee on 17 October 1984." He said that the TSB report was contained in document COM.TEX/SB/988.

71. The Committee took note of the report by the TSB in document COM.TEX/SB/988.

E. Membership of the Textiles Surveillance Body for 1985

72. The Chairman, referring to the consultations which had been held regarding the membership of the Textiles Surveillance Body, proposed that for the year 1985, the TSB should be composed of members designated by the following parties: Egypt, the EEC, Hong Kong, Indonesia, Japan, Norway, the United States and Uruguay. This proposal was endorsed by the Committee.

F. Other Business

(a) Status of acceptances of the Protocol of Extension

73. The Chairman informed the Committee that at present forty-two parties to the MFA, counting the EEC as a single signatory, had accepted the Protocol of Extension. The Dominican Republic and Norway were the two new members since the Committee met in 1983. The full list of membership was contained in document COM.TEX/30/Rev.3.

(b) Date of next meeting

74. The Chairman said that the Committee was required, under Article 10:5 of the MFA to initiate discussions on the future of the Arrangement one year before its expiry. He suggested that since the current Protocol would expire at the end of July 1986, the Committee should meet for this purpose during the month of July 1985. The exact date would be fixed in consultation with delegations.

75. The representative of Pakistan said that a meeting before July 1985 might be necessary for the Committee to deal with matters arising from Article 10:2 of the Arrangement. The Chairman noted the point made by the representative of Pakistan and said that consultations would take place with respect to future meetings.

(c) Derestriction of documents

76. The Committee agreed to derestrict the following documents: COM.TEX/SB/984 and Add.1, COM.TEX/37, COM.TEX/W/156, COM.TEX/W/157 and COM.TEX/W/160.