

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

COM.TEX/W/189

23 December 1986

Special Distribution

Textiles Committee

DRAFT

REPORT OF THE COMMITTEE MEETING

HELD ON 8 DECEMBER 1986

Chairman: Mr. A. Dunkel

1. The Textiles Committee held its first meeting under the 1986 Protocol of Extension on 8 December 1986. The agenda for the meeting was:

A. Annual review of the Arrangement as required by Article 10:4 of the Arrangement.

(i) A report by the Textiles Surveillance Body on the operation of the MFA (COM.TEX/SB/1181)

(ii) A survey by the Secretariat on demand, production and trade in textiles and clothing (COM.TEX/W/186) and textiles and clothing statistics (COM.TEX/W/187)

(iii) Report by the Chairman of the Sub-Committee on Adjustment.

B. Membership of the Textiles Surveillance Body for the year 1987.

C. Other Business.

2. The Chairman recalled that the Committee had, on 31 July 1986, adopted a Protocol extending the Arrangement Regarding International Trade in Textiles for a further period of five years as well as a set of Conclusions, and that the Protocol had become effective as from 1 August 1986. He said that at present, there were only 23 signatories to the instrument, counting the EEC

as a single signatory. The main reason for this small number of signatories was because many governments were still in the process of going through their internal procedures in order to sign. He proposed, and the Committee agreed, that for this particular meeting, all members of the 1981 Protocol who had not yet signed the new Protocol could attend as observers, in the expectation that the situation would have been clarified at the next Committee meeting.

A. Annual Review of the Arrangement as required by Article 10:4 of the Arrangement

3. The Chairman said that for the Annual Review of the MFA as required by Article 10:4, the Committee had before it three documents: (a) The report by the TSB on the operation of the MFA in COM.TEX/SB/1181; (b) A Survey by the Secretariat on demand, production and trade in textiles and clothing in COM.TEX/W/186; and (c) Textiles and clothing statistics in COM.TEX/W/187. He suggested that the Committee should take up the three documents together and invited Ambassador Raffaelli, Chairman of the TSB, to introduce the report by the TSB, and Mr. Mathur, Chairman of the Sub-Committee on Adjustment, to make a statement.

4. The Chairman of the Textiles Surveillance Body said that the annual report of the TSB covered the period from its last report to the end of MFA III and that it did not include anything on the work done under MFA IV. This was for two reasons. The first was the need to ensure that the preparation and approval of the report would be ready in good time for the present meeting. The second was that the TSB thought it would be better if the next report covered its work from the beginning of MFA IV, so that the Textiles Committee would have, in the 1987 report, a comprehensive picture of the Body's activities as of the entry into force of the 1986 Protocol. He said that a large number of former participating countries had not yet signed or accepted the 1986 Protocol and the TSB accordingly had postponed the review of notifications involving those countries. However, the TSB could not go on piling up an increasing number of such cases. He concluded by saying that at a certain time, the Body would have to review all notifications received, without exception, regardless of the legal status of the countries involved under MFA IV.

5. The Chairman of the Sub-Committee on Adjustment recalled that he had last reported to the Textiles Committee in April, 1986 at which time he had introduced the report of the Sub-Committee on Adjustment (document COM.TEX/44). That report, which generally covered the period 1973 to 1984, was based on the Sub-Committee's examination of information supplied by participating members in respect of production and trade in textiles and clothing as required under Article 10:2 as well as autonomous adjustment measures taken or government measures and policies adopted relevant to Article 1:4. In the same report, the Sub-Committee expressed the opinion that, in any future work, consideration should be given to a "re-orientation of the type of information being sought, with greater emphasis being placed on identifying the results of government programmes and on determining the specific measures adopted autonomously by industry". The Sub-Committee considered that in order to accomplish this objective, it would be required to draw upon "additional sources of information to complement the data provided through the submissions". These observations were taken into consideration during the negotiation of the 1986 Protocol of Extension and provision was made in paragraph 19 of the Protocol for a continuation of the work of the Sub-Committee with periodic reports being made to the Textiles Committee. He said that while these reviews would continue to be based on the material provided by participating countries, in the future, the Sub-Committee would also be able to draw upon "additional material and information obtained by the Secretariat from other sources" as well as "supporting analysis by the Secretariat". He would anticipate that the Sub-Committee would begin its activity early in 1987, to organize its work and to consider how best to achieve the objective of a more comprehensive report to the Committee, and what additional material and information or supporting analysis it could expect from the Secretariat. He said that the Secretariat had already taken in hand an analysis of available material and data sources with a view to identifying points on which there was scope for further work in the context of Article 1:4 and 10:2, but it would certainly be helpful if participants could already give some thought to the additional information that could be provided and how the questionnaires, used in the past for collecting information, could be improved.

6. The representative of Indonesia, speaking on behalf of the developing countries, exporters of textiles and clothing, said that this was the first meeting of the Textiles Committee after the negotiations of the new Protocol of Extension as well as the launching of the Uruguay Round of Multilateral Trade Negotiations. It would therefore, be appropriate for him to remark on this occasion that the developing countries, exporters of textiles and clothing viewed with concern the overall negative direction in which the Arrangement was evolving under protectionist pressures. With each successive phase, negative elements had been strengthened or introduced as a price for retaining the existing positive elements in the Arrangement. The evolution of the Arrangement had been further pushed in a negative direction even in a period when the domestic textile and clothing industries in the importing countries had been recovering substantially in 1986. It was unfortunate that the Arrangement had taken such a regressive direction at a time when the GATT Contracting Parties were trying collectively to strengthen the GATT system and to resist protectionist pressures.

7. He said that developing countries, exporters of textiles and clothing which met recently in Istanbul, had taken the view that the Protocol of 1986 was more restrictive in several important respects, especially with regard to the enlarged fibre coverage. They had accepted this extension of coverage on the clear understanding that the provisions of Articles 3 and 4 might be invoked only with respect to directly competitive imports of such textiles made from the additional fibres. However, there were also some positive elements in the new Protocol. One was embodied in paragraphs 6 and 7 which strengthened the disciplines of Articles 3, 4 and Annex A. Another positive element was the commitment of importing countries to accord more favourable treatment to the least developed countries and to the wool based exporters as well. Undoubtedly the exporting countries would like to see the positive elements of the Arrangement and the Protocol reflected in their bilateral agreements. However, some of these agreements concluded contained excessively negative features. It was expected that the Textiles Surveillance Body would examine the bilateral agreements carefully. It would also be necessary for the Textiles Committee, at an appropriate stage, to consider the overall results of bilateral agreements to see if access for developing countries had been improved in line with the commitments undertaken by the importing countries in the new Protocol.

8. He drew the attention of the Committee to two disturbing approaches of some importing countries in the recent bilateral negotiations. One importing country had been seeking cut-backs, freeze, reduced growth and flexibility in their negotiations of bilateral agreements. It was not surprising that bilateral negotiations with this country had broken down in some cases. The other importing country had continued to take a large number of unilateral restraint actions, obviously to pressurize the exporting countries to settle for restrictive access levels. Such an approach could only further erode the confidence of developing countries in the commitments undertaken by the developed countries at multilateral levels while launching the Uruguay Round. He therefore expected the respective governments of importing countries to discourage protectionist pressures, adhere to the objectives and disciplines of the MFA, not to take measures inconsistent with, or additional to, the MFA and to implement faithfully the positive commitments undertaken in the 1986 Protocol.

9. He said that the situation of trade in textiles and clothing would have to be kept under close scrutiny in the months ahead with a view to ensuring that the letter and spirit of the 1986 Protocol and the Punta del Este declaration were being adhered to. He noted that the Contracting Parties at Punta del Este had decided that the "negotiations in the area of textiles and clothing shall aim to formulate modalities that would permit the eventual integration of this sector into GATT on the basis of strengthened GATT rules and disciplines, thereby also contributing to the objective of further liberalization." He said that this was a recognition of the unsatisfactory situation in international trade in textiles and that a long term solution had to be found to permit the integration of this sector into the framework of GATT rules and principles. Developing Countries, exporters of textiles and clothing expected that there would be a clear demonstration of political will to carry out the negotiations through the establishment of a negotiating group for trade in textiles and clothing. Finally, he thanked the Secretariat for the documentation on statistics and said that the comments he wished to make on those documents were being circulated. These comments are contained in document COM.TEX/W/191.

10. Referring to the document circulated by the representative of Indonesia, the spokesman for the EEC said that it contained statistical errors and he reserved his right to comment on it. Besides, since the EEC signed the MFA as a single entity, intra-EEC trade statistics should not be considered in the MFA context.

11. The representatives of Brazil, Hong Kong, India, Korea, Sri Lanka and Turkey and the observers from Bangladesh, Egypt, Pakistan and Yugoslavia who spoke subsequently, supported the statement of the representative of Indonesia. Many observers indicated that they would accept the Protocol in the near future.

12. The observer from Bangladesh said that he was deeply concerned with the continuing and, in many cases intensifying, protectionist trends in importing developed countries against imports of textiles and clothing from developing countries. The adoption of the new Protocol with a number of more restrictive elements, had not helped to reverse the protectionist trend. The increase in fibre coverage had been the most disturbing of the provisions introduced in the Arrangement. Although there was a clear understanding to exclude jute products from the scope of any restriction, the extension of the coverage did pose a serious threat to the growth prospect of many developing countries including the least developed among them who badly needed diversification of existing products and development of new products in order not just to register a positive growth rate but even to sustain the present situation which was far from satisfactory.

13. He noted that there were a few positive elements in the 1986 Protocol including the agreement to improve discipline in the application of Articles 3 and 4 measures, to improve the bilateral agreements and to accord special treatment to the least developed countries. However, it was regrettable to note that there were already ominous signs of violation of these agreements. Despite the commitment not to apply restrictions against imports from least developed countries like Bangladesh, there were already requests to some of these countries that they restrain their exports of textiles and clothing. This was a clear violation of the agreement reached in the Protocol in favour of the least developed countries. It was also contrary to the spirit of liberalization of trade expressed in the Ministerial Declaration of 1982. He said that the standstill and rollback commitments undertaken in the Punta del Este Declaration should cover all sectors including textiles and clothing. Recent developments gave some reasons for serious concern since violation of these commitments were being reported. He expressed the hope that the spirit of Punta del Este which clearly aimed at halting and reversing protectionism and promoting growth and development of the developing countries including the least developed among them would be upheld.

14. The representative of Sri Lanka said that trade in textiles was important because it was the only substantial sector of trade outside commodities for many developing countries. It was a sector in which they had revealed a comparative advantage which had manifested itself in a trade surplus. It accounted for over 20% of Sri Lanka's total exports and had become an increasingly important determinant of the country's economic development. He said that the Multifibre Arrangement not only restrained the trade of developing countries but also discriminated against them. The opportunity to end this discrimination and to liberalize the trade was missed once again when the MFA came for renewal in July 1986. In the end, MFA IV turned out to be more restrictive than its predecessor particularly in its extended coverage. He said that in accordance with the mandate outlined in the Punta del Este Declaration to formulate modalities that would permit the eventual integration of this sector into GATT on the basis of strengthened GATT rules and disciplines, it was necessary to ensure non-discrimination in trade in textiles. Hence, a comprehensive safeguard mechanism should be set in place. At the same time, the process of liberalization should be set in motion through the immediate application to this sector of the standstill and rollback commitments which became operative with the adoption of the Ministerial Declaration.

15. He said that while the Punta del Este Declaration gave renewed hope for the liberalization of world trade, one major importing country continued to resort to a large number of unilateral restraint actions on textiles. Since MFA IV, Sri Lanka had been subject to several such actions which inevitably led to an extended coverage of restraints. Another importing country had concluded a bilateral agreement with Sri Lanka with extended coverage of items and reduced growth and flexibility levels when Sri Lanka's market share in that country was only 0.65% in 1985. The undertaking in the MFA for making improvements to bilateral agreements had to be implemented so as to ease market access through the withdrawal of many restraints on the exports of developing countries and in particular those on small suppliers, new entrants and the least developed countries. He commended the European Community for having given effect to the commitment for improvement in its bilateral agreements. He said that an expressed purpose of the MFA was to slow down the speed of imports from developing countries so as to ease the

process of adjustment in industrialised countries. The kind of adjustment occurring in importing countries, however, was not to adjust out of the lines of production in competition with developing exporters but to overcome them. The result was that, in terms of capital per worker, the textile industries of the industrialised countries now appeared to be more capital intensive than manufacturing as a whole. As the GATT Report on Prospects for International Trade pointed out, from the point of view of the economy as a whole, this conversion of a labour intensive industry into a capital intensive one was wasteful of scarce capital resources. Current efforts to duplicate this effort in the clothing industry of the industrialised countries could be even more wasteful and could easily result in a larger loss of clothing jobs than would occur under a phasing-out of restraints on clothing imports. He concluded by saying that the primary challenge to the trading system was the reluctance of groups of producers to adjust to changes in comparative advantage and this was clearly seen in the textiles and clothing sector.

10. The observer from Egypt, recalling the negotiation of the 1986 Protocol of Extension and the formula agreed upon in Punta del Este for the liberalization of trade in textiles, said that in his country's analysis of both events, recognition was given to the need for compromise in the negotiations and, in this light, the negative elements of the 1986 Protocol had been set aside and attention was focused on the positive areas. He referred specifically to Article 6 and Annex A(III) of the MFA as well as paragraphs 13(a) and 13(d) of the 1986 Protocol and stated that these provisions, like others in the MFA and previous protocols, would lose their significance unless they were respected and put into effect. Previous experience had shown that Egypt's textile trade, although small, had been subject to restrictive measures and for this reason he appealed to the developed trading partners to restore faith in the Multilateral Agreement through demonstrating their positive attitude in bilateral negotiations. He stated that Egypt fell within the scope of Article 6, being a cotton producer, small supplier and new entrant, with a share in textile trade of less than 1 per cent and his authorities were not convinced that in joining the MFA its exports had to be curtailed nor that bilateral agreements should freeze trade forever. In view of its debt problems, Egypt felt frustrated at

not being able to export sufficiently enough to cover debt servicing as access to markets was denied. He stated that he would not judge the 1986 Protocol as being more or less restrictive but would soon see the reflection of its provisions in bilateral negotiations. He felt that only actions by developed countries could prove if the standstill and rollback commitments were mere words or translated into practice.

17. The the spokesman for the EEC said that the Council of Ministers accepted the Protocol extending the MFA on 24 November 1986. This was possible because of the contents of the Protocol and because the bilateral negotiations had been generally satisfactory. He noted with pleasure the comments made by one of the exporting members who indicated that he was also satisfied with the outcome of the bilateral negotiations with the EEC. The Community had certainly shown flexibility in such negotiations but likewise it had met with goodwill on the part of its trading partners - a will to reach satisfactory arrangements. Notwithstanding this he was concerned with the future because, while the situation of the industry in the Community had improved, there were still many uncertainties. The economic situation was not an excellent one, unemployment had not disappeared, and the most recent forecasts by the Commission showed that under-employment would continue at a preoccupying level. 1987 might witness certain new protectionist pressures, and the Community market might see large increases in imports.

18. He said that the Community believed that it was necessary to extend the MFA in order to permit an orderly development of trade in textiles and recalled that the Community attached great importance to the need for contribution by each participant commensurate with its own economic capacity. Efforts should be made towards the opening of all markets and the liberalization of trade in textiles and clothing so that those markets which were not yet completely open would be opened and those which were relatively open would not be closed in the near future. It was in the expectation of orderly development of trade and opening of markets that the Community regarded MFA IV as an instrument which should lead to the final objective of eventual integration of the sector of textiles and clothing in the general framework.

19. The observer from Pakistan stated that textiles were his country's single most important area of export interest which had been under restraint for a long period of time. Not only was his country unable to exploit its full potential in textile products, but its exports of raw material for textiles were being undermined in third markets by subsidised exports which had grave implications for Pakistan's agriculture-based economy. He stated that Pakistan exported cotton in 1983 at an average price of about 60 cents per pound but in 1985 received only 36 cents per pound due in large measure to the workings of policies elsewhere. He regretted that the opportunity this year to bring an end to the existing discriminatory arrangement for textile trade had been lost. Nevertheless, Pakistan had consistently devoted its efforts towards achieving the broadest possible consensus within the multilateral trading system. Although the 1986 Protocol had more restrictive elements, he did not view the situation with a complete sense of scepticism. This confidence, he said, was derived from the declaration by the Contracting Parties of their determination to halt and reverse protectionism and to remove distortions to trade while the concrete commitments made on standstill and rollback were a source of optimism.

20. He considered the paragraph on textiles in the Punta del Este Declaration as a clear recognition of the unsatisfactory state of affairs in this trade and he viewed it against the background of the clear determination to arrest protectionism. He expressed the hope that the standstill commitment would be observed faithfully, and would be manifested in the area of textiles by way of resisting any present or future protectionist pressures. In the true spirit of reversing protectionism, as stated in the Ministerial Declaration, negotiations in the area of textiles and clothing would be undertaken to formulate modalities that would permit the integration of the textiles sector into the GATT and contribute to further liberalization of trade in this sector. He also stressed that the modalities for liberalization of trade in this sector should be pursued independently within the context of the Uruguay Round and not made contingent upon agreement on other subjects.

21. The Representative of Korea urged importing countries to adhere strictly to the standstill and rollback commitments undertaken in Punta del Este and stated that it was both necessary and appropriate for the Textiles Committee to assess whether the overall results of the bilateral agreements would

improve the market access for developing countries. He stated that the current progress in the bilateral negotiations was far from his delegation's expectations but he remained optimistic that the positive aspects of the Protocol would be emphasized. He said that in 1985, much of the increase in textile and clothing imports into the developed markets came from other non-restrained developed members, while imports from the developing members grew much more slowly. As a consequence, the developing countries' share of EC imports actually declined with the primary factor being the decline in imports from the major suppliers. He stated that the market share lost by the major suppliers was not being captured by other developing countries but by the domestic industries of the importing countries and other non-restrained developed countries. He also expressed concern with the growing trend towards unilateral actions under Article 3 which were often based on an extreme interpretation of market disruption.

22. The representative of Turkey stated that the enlarged fibre coverage of the MFA and the possibility to extend unilateral measures for a further period of one year were the most salient negative aspects of the 1986 Protocol. Nevertheless, his country relied on the positive commitments introduced in the Protocol, even though they were less tangible than its negative aspects. He expressed the hope that demands for increased protection in developed countries would be resisted and that the positive elements of the 1986 Protocol, together with the favourable atmosphere created by the new round of multilateral trade negotiations, would be fully reflected in the bilateral agreements. He attached great importance to the renewed commitment that the MFA should contribute to a substantial increase in developing countries' export earnings from textile products, and to paragraph 6 of the 1986 Protocol, which emphasized that market disruption or real risk thereof must exist and must be demonstrated clearly before restraints might be sought. He expected that the developed importing countries would fully comply with the disciplines elaborated in that paragraph, and refrain from intensifying their restrictions solely on the grounds that imports from a particular source of particular products were

increasing. He also attached great importance to the principle laid down in paragraph 13, to the effect that cotton producing exporting countries, small suppliers, and new entrants should be given special consideration and where restraints were applied, these countries should be accorded more favourable treatment in terms of quotas, growth rates and flexibility. He noted that the aggregate share of the cotton producing developing members in the total cotton textile imports into two major markets recorded a decline in 1985, and expressed the hope that this trend would be reversed substantially during the life of the 1986 Protocol by full observance of the relevant provisions of paragraph 13. He also urged the Textile Surveillance Body to ensure that all the positive elements in the new Protocol were fully implemented to the benefit of developing exporting countries.

23. The representative of India stated that this meeting of the Textiles Committee should have provided a useful opportunity for taking stock of the situation with regard to trade in textiles and clothing in the wake of the negotiation of the 1986 Protocol and the Punta del Este Declaration. However, since the TSB report did not cover the period after 1 August 1986 and as there were only twenty-three signatories at present, an exhaustive review of the situation was not possible. He recalled that at the last Committee meeting, several developing countries had expressed their disappointment with the conclusion of a more restrictive arrangement, and particularly with the extension of fibre coverage and that his authorities had expressed their reservation and their need for further consideration of the implications of the Protocol, particularly paragraph 24. He noted, however, that India had accepted the 1986 Protocol while registering its protest at the extension of the application to vegetable fibres, blends of vegetable fibres and blends containing silk. He expressed concern that the forces of protectionism which had cast a shadow on the negotiation of the 1986 Protocol had not vanished. For this reason many delegations had referred to the standstill commitments of the Punta del Este Declaration with apprehension that these commitments might be breached. He also noted the growing number of consultation calls which had emanated principally from one importing country with several notifications from exporting countries having been received by the TSB in this regard. He concluded that it was important to look to the future as the only hope for an equitable and effective long-term solution to the problems of trade in textiles and clothing, and to the negotiating mandate for textiles and clothing in the Punta del Este

Declaration. He stated that the situation called for careful surveillance of developments particularly in the context of the bilateral negotiations that were currently underway.

24. The representative of Brazil stated that his country's negotiators had recommended the acceptance of the 1986 Protocol because the parties interested in the application of such elements as extension of fibre coverage and unilateral actions under Article 3 seemed to have demonstrated a certain measure of self-restraint which indicated that the disciplines of the MFA could have been safeguarded. He felt, however, that full application of the MFA and its disciplines would require even greater self restraint by those same parties. He admitted that it was too early to assess whether or not the 1986 Protocol had contributed to the objectives of the Arrangement and provided a stable framework for the conduct of textiles trade. He expected that in an environment of growth in the importing countries' economies, the 1986 Protocol could provide scope for a meaningful liberalization, further expansion, stability and certainty for trade. He felt that MFA IV contained positive features which could accomplish the goals set out in Article 1 thereof. However, it remained to be seen whether the strong expansion in consumption of textiles and clothing in some of the major importing markets, combined with a genuine desire to reverse protectionist trends, would lead to the fulfilment of those goals. He stated that prospects for the textiles and clothing industries in the importing countries appeared promising and that these industries were fully competitive even in the garment sector due to rationalization and automation. He also noted that consumer expenditures on clothing, carpets and other textile home furnishings had made substantial gains in the first half of 1986, both in the United States and the Community, and were expected to remain high as a result of further growth in personal incomes and housing completions.

25. He stated, however, that protectionist pressures had not disappeared in spite of the favourable state of and prospects for the textiles and clothing industries in 1986. In the wake of the defeat of the effort to override President Reagan's veto of the Jenkins Bill, three legislative proposals had already been introduced in the United States House of Representatives and the Senate. Brazil trusted that the developed countries would not only comply

with their obligations under the MFA but would also cooperate fully in the negotiating effort to formulate modalities which would permit the eventual integration of the textiles and clothing sectors into GATT on the basis of strengthened GATT rules and disciplines. He said that calls for consultation and agreements must respect the MFA and conform with the results of the multilateral negotiations and that dispute cases brought before the TSB should take into account the provisions of the Arrangement and of the new Protocol of Extension. He expressed concern that importing countries might try to insert into their bilateral agreements provisions which exceeded the limits of restriction embodied in the multilateral framework. He noted that, except for the understanding set forth in paragraph 3 of the 1986 Protocol that the application of GATT rules to trade in textiles was the final objective of all participants in the Arrangement, little or nothing was accomplished in terms of commitment towards liberalization of trade in the sector. Therefore, the decision taken by Ministers in Punta del Este in the areas of textiles and clothing provided a fresh opportunity to find a durable solution to the textiles issue.

26. The representative of Uruguay said that the participants of the Multifibre Arrangement and the contracting parties to GATT had recently adopted a series of very important decisions in the field of international trade in textiles, namely the Protocol of Extension of the MFA, the undertakings on standstill and rollback contained in the Punta del Este Declaration, as well as the decision of undertaking negotiations in textiles and clothing aiming at the eventual integration of this sector in the General Agreement. The main responsibilities arising from these three decisions would involve the fulfilment or implementation of the texts which were agreed, together with their contents and the strict undertakings contained therein. The second undertaking concerned the surveillance on both an individual and collective basis; individually by surveilling very closely the national interests, and collectively from the point of view of the surveillance within the TSB and with the new surveillance system which the New Round was going to set up. At the same time there was yet another responsibility to negotiate very seriously on textiles and clothing in the

New Round. There was, therefore, considerable work to be carried out in the future. The Textiles Committee would be one additional tool for the work which had yet to be undertaken. This would also be the case for the other negotiating committees which were being set up within the Uruguay Round. In all these tasks, the Uruguay delegation was ready to participate fully and faithfully in the search for the attainment of the objective of liberalization and development of trade in textiles and clothing.

27. The observer from Yugoslavia referred to some encouraging and less encouraging aspects in Yugoslavia's bilateral relations subsequent to the conclusion of the 1986 Protocol. She noted, however, that the EEC had kept its commitments to liberalize trade in textiles while the United States sought stronger restrictions by implementing the more restrictive provisions of the Protocol. Yugoslavia had not yet concluded bilateral agreements with other importing partners. She urged the TSB to look very carefully at the bilateral agreements concluded under the 1986 Protocol with a view to ensuring their compliance with the MFA as extended. She stated that Yugoslavia looked forward to the negotiations in the Uruguay Round. She, however, expressed concern that the liberalization occurring in Western Europe, which was made possible by adjustment in their textile industries, could be endangered if other trading partners were closing their markets. She considered that this situation could have an influence on the future implementation of the MFA, because of the unemployment problem in Western Europe which could put pressure on governments to change their attitude towards liberalization in this sector.

28. The representative of the United States said that while he could not associate himself fully with the remarks made by the representative of Indonesia and other speakers from exporting developing countries, he would ensure the faithful reporting of these statements to Washington. As a US delegate, he would take issue with the interpretations concerning the coverage of jute in the Protocol or the treatment of least developed countries as they were enunciated by the observer from Bangladesh. He said that in the United States, as in the Community, the recovery in the textiles and clothing industries had not reached the point implied by some of the interventions made. Despite whatever measures the United States might have been taking pursuant to the MFA, imports into the United States had continued

to increase at a very substantial rate during 1986. In value terms, imports into the United States for the first nine months of 1986 were some 3 billion dollars higher than the corresponding period in 1985. That was an indication of the substantial increase of imports by the United States and an indication that regardless of measures being taken, the United States market was by no means closed to imports of textiles and clothing, and the rate of growth of those imports was not being reduced in an unacceptable manner. Finally, he said that he agreed with the representative of Uruguay that the Textiles Committee was one tool for dealing with textile matters in future but he would not necessarily subscribe to the interpretations of some other interventions regarding the nature of the relationship between commitments in the Uruguay Round and commitments in the Multifibre Arrangement. All he would say was that the United States delegation certainly intended to live up fully to the commitments it made in both fora.

29. The representative of Hong Kong recalled that the MFA was renewed for a longer period and with wider coverage, and said that one of the questions to be examined over the next year or two would be whether MFA IV and the Uruguay Round really had the elements which would lead to a brave new textiles world, or were they merely the same old wine in a new bottle. He said that his delegation had expressed its view in July at the time the new Protocol was signed. Hong Kong concluded that it could live with MFA IV as an inevitable compromise between opposing interests concluded at a time of great protectionist pressure in one of the major trading entities. To put that protectionist pressure into its proper context and to shed some light on its true nature, he drew attention to the production figures in COM.TEX/W/186 and said that throughout the time in which the hard negotiations for the renewal of the MFA were taking place, there were substantial improvements in production in the major markets. In the United States the production index for textiles rose to 111 in the first quarter of 1986, as compared with 99 for the same quarter a year ago; for clothing the indices were 117 over 115. Similarly in the Community, the indices were 96 over 92 for textiles and 93 over 89 for clothing. It was, therefore, clear that the nature of the protectionist pressure was more political in nature without any economic justification. He remarked that now was the beginning of a new cycle with a new generation of bilateral agreements and that it was perhaps too early to say very much about them. However, there were individual areas of difficulty

as reflected in difficult negotiations with certain importers. There should be difficulties because the first line of defence for the exporters was the bilateral negotiations. They had, first of all to establish the parameters in accordance with the agreed disciplines of the MFA. The TSB had an important role to play in supervising the implementation of the MFA but there were limits to what the TSB could do. He suggested that if cutbacks, freeze, reduced growth and flexibility appeared in some agreements before the TSB, then the Body should send those agreements back to be renegotiated since they would clearly be inconsistent with the disciplines of the MFA. He agreed with the representative of Indonesia that vigilance under MFA IV should be increased to ensure that the disciplines were not eroded. The new mandate on textiles in the Uruguay Round hopefully would provide a better direction for a longer-term solution to the problems in this sector, and this was a subject which would need to be negotiated in a separate negotiating process and a separate group at an appropriate time under the Round.

30. The representative of Canada stated that his government had accepted the 1986 Protocol, viewing it as an important negotiated instrument to continue the orderly development and expansion of international trade in textiles and clothing for both developing and developed countries. He said that Canada was in the process of re-negotiating bilateral agreements due to expire on 31 December 1986 with some twenty-two low cost sources of supply to the Canadian market. To date, agreements had been concluded on an ad referendum basis with thirteen countries, for the period 1987 to 1991. He stated that in these negotiations the Canadian delegation had emphasized the necessity of moderating import growth, which had reached an average of 11 per cent per year between 1981 and 1985 while the Canadian market grew at an average of only 2 per cent annually. During that period the Canadian clothing industry's share of the domestic market had declined, in volume, from 69 per cent in 1981 to only 57 per cent in 1985. He noted that document COM.TEX/W/186 indicated that Canada's clothing imports also grew rapidly in the first half of 1986 as compared to the first half of 1985; nonetheless, in most of the agreements Canada had agreed to growth rates which were in excess of the Canadian market growth. He expressed understanding for the concerns expressed by the smaller suppliers and the less developed countries about the need for continuing growth in market access. In response, Canada had sought a differentiation in import growth provisions between the

dominant, newly-industrialized suppliers and the small and new entrants, including in one or two cases, where circumstances required, least developed countries, in keeping with both the letter and spirit of the Protocol of Extension. He expressed appreciation for the spirit of co-operation prevailing in the recent negotiations to renew bilateral textile agreements which, he believed, met the needs of both parties in providing for continued growth into the Canadian market, but on a more moderate, orderly basis.

31. The representative of Hungary said that Hungary signed the Protocol of Extension only after careful consideration and review. He agreed that the Protocol contained many negative features but also certain positive elements which hopefully would be observed by importing countries in bilateral negotiations. He shared the expectation of developing countries, exporters of textiles and clothing concerning the Punta del Este Declaration. He said the commitments on standstill and rollback were of utmost importance in the sector of textiles and clothing and expressed the hope that it would be possible to negotiate modalities which would permit the eventual integration of textiles into the GATT with further liberalization of trade in that sector.

32. The representative of Hong Kong referred to the intervention from the representative of Canada and said that he had made a small omission when quoting figures from document COM.TEX/W/186. He pointed out that the production index in the Canadian market throughout 1985 and the first quarter of 1986 showed an increase of 9 points on textiles and 8 points on clothing. He believed that this was a very satisfactory performance for the Canadian domestic industry and that this point would be taken into account in the negotiation of the remaining nine Canadian bilaterals. The representative of Canada responded by saying that despite the growth in production, the share of the domestic industry in the Canadian market was declining, while imports from low-cost suppliers were increasing.

B. Membership of the Textiles Surveillance Body for the year 1987

33. The Chairman proposed, and the Committee agreed, that the Textiles Surveillance Body for 1987 would be composed of members nominated by the EEC, Finland, Hong Kong, India, Indonesia, Japan, the United States and Uruguay.

34. The representative of Uruguay said that he was in full agreement with the Chairman's proposal with respect to the composition of the TSB for 1987. However, he remarked that it was a heavy burden for small delegations that had to work on the TSB, in all other official bodies of GATT as well as in the new negotiations at the same time. It would be advisable if all participants in the Multifibre Arrangement could exercise their rights and obligations by participating in the work of the TSB. There were times that certain circumstances would compel small delegations to assume such responsibilities and they did it with pleasure, nevertheless, it would be appropriate for all participants in the Multifibre Arrangement to exercise their own responsibilities in this respect in due course.

C. Other Business

Date of Next Meeting

35. It was agreed that the Chairman would fix the date of the next meeting after consultations with delegations.