

GENERAL AGREEMENT ON

TARIFFS AND TRADE

RESTRICTED

COM.TEX/73

23 December 1992

Special Distribution

Textiles Committee

REPORT OF THE COMMITTEE MEETING
HELD ON 9 DECEMBER 1992

Chairman: Mr. A. Dunkel

1. The Textiles Committee held its second meeting under the 1991 Protocol on 9 December 1992. The Agenda for the meeting, set out in GATT/AIR/3378 of 26 November 1992, was adopted as follows:

- (a) The Annual Review of the operation of the Arrangement Regarding International Trade in Textiles (MFA) as extended by the 1986 Protocol and as maintained in force by the 1991 Protocol.
- (b) Continuation of the discussion on the future of the MFA.
- (c) Membership of the TSB.
- (d) Other business.

Participation in the Arrangement

2. The Chairman informed the Committee that there were currently forty-two members, counting the EEC as a single signatory. The list of signatories was contained in document COM.TEX/71/Rev.1 while the texts of their notifications were set out in COM.TEX/70 and Addenda 1-3.

Agenda Item "A": Review of the Operation of the Arrangement

3. The Chairman explained that, under Article 10:4 of the MFA, the Committee was required to carry out, once a year, a review of the Arrangement and to report thereon to the GATT Council. The last annual review had been held in December 1991 and the report on it was set out in COM.TEX/72. He pointed out that the Committee had before it the following documents to assist in this review:

- (i) a report by the Textiles Surveillance Body on its activities during the six-year period 1 August 1986 to 31 July 1992 (COM.TEX/SB/1799 and Add.1); and
- (ii) a statistical report by the GATT Secretariat on recent developments in demand, production and trade in textiles and clothing (COM.TEX/W/245).

4. As regards proceedings, the Chairman suggested that the Committee consider the two reports together. He then invited Ambassador Raffaelli, Chairman of the Textiles Surveillance Body, to introduce the report of the Body.

5. Ambassador Raffaelli pointed out that the TSB report on this occasion covered six full years of MFA IV, from 1 August 1986 to 31 July 1992; it consisted of 5 Chapters, 3 Appendices and one Addendum and the closing date of the Report was 31 July 1992. He noted that a list of errors found in the text had been the object of COM.TEX/SB/1799/Corr.1 and COM.TEX/SB/1799/Add.1/Corr.1.

6. He referred to a special feature of the report (Chapter 2, Section D, page 17) which showed the evolution of every agreement concluded under MFA Article 4 by countries which were participants in MFA IV during part or all of the period covered. In this way, the reader had all information necessary to reach his or her own conclusion as to whether such agreements had evolved in a more or less restrictive way.

7. In order to update the information contained in the Report, Ambassador Raffaelli noted that since the closing date (31 July):

- (a) Poland had accepted the 1991 Protocol on 12 October, Fiji on the 1st of December, and Honduras had acceded to the Arrangement on 24 November. This brought the number of participants to forty-two;
- (b) a further notification by China under Article 2:4 had been received and reviewed by the Body. The report on the review of this notification was contained in COM.TEX/SB/1807, the report of the Body's 271st meeting. The Body had concluded that China had satisfied the reporting requirements of Article 2, paragraph 4, and that future reports would be submitted pursuant to Article 11, paragraphs 11, 12 and 2;
- (c) the TSB had received a notification by Panama under Art. 2:1, but found that it did not provide the required information regarding that country's import régime for MFA products. The Body was, therefore, awaiting further clarification;
- (d) ten notifications under Article 11, paragraphs 11, 12 and 2 had been received from Argentina, the Czech and Slovak Federal Republic, Hungary, Mexico, Pakistan, Peru, the Philippines, Romania, Uruguay and Yugoslavia. These indicated that Pakistan and Yugoslavia maintained restrictions on MFA products under Article XVIII:B of the General Agreement and imports of certain MFA products in Hungary fell under a global quota on imports of consumer goods. The information by Hungary modified that reported in paragraph 3.42 (page 162) of the Report. The other seven notifications confirmed, however, that the notifying countries were not applying any quantitative restrictions or other measures having a restrictive effect on imports of MFA products, except that Argentina and Peru had suspended imports of used clothing and Mexico submitted such imports to prior licensing.

8. The TSB had noted in its report that though most participating countries had responded to its requests for information on restrictions maintained by them, not all had done so every year. Furthermore, some countries had never complied with their notification requirements, in one case under Article 2:4 (paragraph 3.8, page 157), in three cases under Article 11 (paragraph 3.24 and 4.173(h), pages 159 and 195, respectively). This additional information modified the situation in regard of Pakistan.

9. Ambassador Raffaelli stated that, on the basis of the information available, including notifications made after the closing date of the Report, out of the thirty-nine participating countries which had given information (the Body was still awaiting information from Fiji, Honduras and Panama) twenty-two currently applied no quantitative restrictions on MFA products or any other measures having a similar effect, or else applied restrictive measures regarding only one or very few products. These twenty-two countries were mentioned in sub-paragraphs (a) and (b) of paragraph 4.173 (page 195), plus Romania, and less Hungary.

10. He pointed out that paragraph 4.174 (page 195) informed the reader that at the beginning of the period reviewed, nine participating countries had maintained no restrictions, namely, Costa Rica, El Salvador, Hong Kong, Japan, Macau, Singapore, Sri Lanka, Switzerland and Uruguay. Therefore, since 1986 thirteen participating countries had been added to the list of countries which either maintained a totally free textile import régime or maintained minimal restrictions. If Sweden, which stopped using the MFA on 31 July 1991 were added to this list, no one could deny that substantial liberalization of trade in textiles had occurred during the period reviewed. He noted, however, that - with the exception of Sweden - all countries which had substantially liberalized their textile trade since 1986 were themselves restrained under the Arrangement.

11. He said it was regretful that exporting countries were not more prompt in providing their trade statistics, otherwise Table 1 of the Appendix of COM.TEX/W/245 would show how such liberalization reflected in their import figures.

12. He added that the TSB had also observed in its Report that progress had been made during MFA IV by some developed countries in reducing their MFA restraints.

13. In conclusion, he repeated the cautionary note inserted by the TSB in Chapter 5, paragraph 5.11, that members should not try to reach a conclusion on the implementation of MFA IV by selecting bits and pieces of the report. To reach an informed conclusion, he said, it was necessary to take into account all the information contained in the Report, and to bear in mind the elements mentioned in its paragraphs 5.12 and 5.13.

14. A number of participants expressed their appreciation for this comprehensive report and for the considerable effort of the Textiles Surveillance Body in preparing it.

15. The representative of Pakistan, speaking on behalf of the group of developing countries, members of the ITCB, pointed out that the 1986 Protocol of Extension had now been in existence for more than six years and that this instrument was more restrictive in character than the MFA or the previous Protocol. It had enlarged the product coverage of the MFA through the inclusion of products of vegetable fibres and silk blends and had retained many of the features of "reasonable departures" in some form or other. He said that the 1986 Protocol had also made it easier for the importing countries to take restrictive actions. He noted that the 1986 Protocol had been continued last year without any change for another term which would end this month.

16. He said that the members of the ITCB were happy to see that the TSB's report on the operation of the MFA covered the period from 1 August 1986 to 31 July 1992 and he congratulated the Chairman and the members of the TSB on this report. He said that it contained a wealth of factual information which deserved to be carefully analysed.

17. He stressed that for the members of the ITCB, the important element in the 1986 Protocol was the commitment to undertake improvement in bilateral agreements which should provide for increased effective access in overall terms. He expressed satisfaction that, during the Protocol's extended period, the smaller importing countries had made improvements in their bilateral agreements. Indeed, the most welcome feature was the elimination of all textile restrictions by Sweden. The situation in the major importing countries, however, was quite different. He noted that the product coverage of many bilateral agreements of these three importing members had expanded during this period. It was also noted with concern that the number of restrictions in these countries had increased considerably since the beginning of the extended period. It was a pity, he said, that even after 19 years of the MFA's existence and in spite of its objective of achieving reduction of trade barriers, the restrictions should continue to proliferate.

18. He said that the foundation of the MFA lay in the concept of market disruption which prescribed that a sharp and substantial rise in imports of particular products from particular sources, at substantially low prices, should be the cause of serious damage to the domestic producers. The MFA underlined the two elements of "particular products" and "particular sources". He expressed the belief that non-observance of the rules of the MFA, which in any case were derogations from the GATT, further weakened the multilateral trading system.

19. In this context, he referred in particular to some of the features contained in the TSB report. Firstly, as reported on page 173, he noted that there were a number of instances of restraints being placed on products of which there were no exports. He asked how could there be even a possibility of market disruption when there was no trade? Such instances were a flagrant violation of the MFA.

20. Secondly, he believed that the system of aggregate and group limits, covering products of which there were no exports or negligible exports, to be inconsistent with the MFA. The ITCB's view was that provision relating to "mutually acceptable terms" or "orderly development of trade" could not bypass the basic concept of market disruption in respect of particular products which was fundamental to the MFA. They would strongly urge the removal of aggregate and group limits.

21. Thirdly, it was noticed that there had been a recent tendency to offset liberalization of restraints on certain countries by placing new restraints on ITCB members for the same products. The liberalization was indeed welcome because it demonstrated that the concerned products were no longer causing market disruption. Their difficulty was in reconciling new restraints which implied the existence of serious damage to the domestic

producers with liberalization which signified the elimination of market disruption. They felt that such divergent actions conflicted with the equity obligations of the MFA. This aspect needed to be seriously taken into consideration against the background of new moves for regional integration.

22. He said that whenever the ITCB had urged liberalization of the present régime they had been reminded that it was a two-way process. They had tried to analyse the régimes of the developing countries from the information contained in the TSB report. There were 28 developing countries participants in the MFA. Amongst them, there were 19 which applied no restrictions at all on the imports of textiles or which restricted such isolated items as natural fibre bags, batik products, used clothing, and fabrics for defence uniforms. There were five countries whose restrictions were consistent with the GATT and one which was not a member of the GATT. He felt that this should establish that the developing countries had significantly liberalized their economies consistent with their needs of economic development.

23. In conclusion, he particularly drew the attention of participants to the concluding portions of the TSB report. These highlighted the impact of the MFA and recognized that the MFA had led to deep and widespread distortions in production and trade; to the creation of vested interests in both importing and exporting countries; and to increasing complexity in the administration of quotas. Most significantly, the report acknowledged that the MFA's objectives of achieving the reduction of barriers to trade and of progressive liberalization of world trade had not yet been attained. This was a sad commentary which questioned the real efficacy of the Arrangement.

24. A number of delegations associated themselves with the statement made on behalf of the developing countries, members of the ITCB.

25. The representative of Brazil stressed a further point to the previous statement, related to the dispute settlement function of the TSB. While the Body had faithfully and diligently performed its task, he said, the results that should have been expected from TSB recommendations on the basis of two important provisions of the Arrangement seemed to be lacking. He identified these as the one that requests the participating countries to endeavour to accept in full the recommendations of the TSB (Article 11:8) and the other that in the conduct of their trade under the MFA, participants were committed to a multilateral approach in the search for solutions (Article 4:1). He noted that, as all knew, the TSB was not a court of justice and to perform its functions efficiently as a dispute settlement instrument, these two obligations must be faithfully heeded. He urged that unequivocal recommendations must not be allowed to pass without any consequence as if the TSB had taken no decision at all. This was destructive not only of the surveillance rôle, and of the dispute settlement function of the TSB, but of the GATT system itself, which was destined to pass on to the régime which we were endeavouring to bring into being through the Uruguay Round, a tradition of fairness and efficient pragmatism.

26. The representative of Mexico referred to the TSB report, particularly paragraph 3:50 on page 189, and confirmed that on 4 September 1992 a notification had been made that Mexico does not apply any restrictions on imports of textiles, except as regards used clothing. He also stated that in the period covered by the report, Mexico had been applying a process of tariff reductions on imports to such an extent that as of 1988 the maximum tariff was 20 per cent. He felt it was relevant to point out that a number of other countries had been carrying out similar liberalization processes which, taken together, were a sizeable contribution to making trade in textiles more open and putting it on a more sound basis.

27. The representative of Peru commented that things were changing in the world and in extending the MFA for a further period, the Arrangement would be moving from a "teenager" stage to that of an "adult"; that is, into its twentieth year. She said that what prevailed even three years ago from the world political or economic point of view was now relegated to history and we should look towards the future which was very much at hand in the Uruguay Round. The TSB report pointed to the need for greater liberalization in textiles and clothing trade which was both necessary and possible within the context of the package now at hand.

28. The representative of Hong Kong said that excellent though the TSB report was, it painted a sorry picture of growing restraints and market distortion in the textiles and clothing trade. The report reminded us that the MFA was first entered into over 18 years ago and it observed that "the MFA has led to deep and widespread distortions in production and in international trade flows and practices". However, it could offer no enlightenment as to when trade in textiles and clothing would be returned to GATT disciplines. He noted that the MFA, agreed in 1974, referred to temporary arrangements for a "few years". Eighteen years had stretched the definition of "few" beyond its limit and we were faced with the prospect of extending the Arrangement by at least one more year, delaying again the phased return to GATT disciplines that this trade so badly needed.

29. He pointed out that the TSB report made some very pertinent observations in its closing paragraphs. It drew attention to the fact that "the objectives of achieving the reduction of barriers and of progressive liberalization of world trade has not been attained". But it offered no explanation as to why it had not been possible in 18 years to achieve such a reasonable objective. The report pointed out that some developed countries had made progress in reducing MFA restraints. But why not the others? He referred to Article 1 of the MFA which contained the rationale behind making this extraordinary, temporary exception to GATT rules. It stipulated that the Arrangement should be accompanied by "policies which would encourage businesses which are less competitive internationally to move progressively into more viable lines of production or into other sectors of the economy". Had such policies been pursued 18 years ago by countries still heavily dependent on the MFA, perhaps men and women in the developed world now faced with the drudgery of the loom and the cutting room, would have more rewarding and efficient jobs, suited to their relatively better education; and the developing world would probably be less poor and better placed to buy the goods and services of the developed world. The longer the MFA was allowed to continue, the greater the distortions would become.

30. He noted that the TSB report had highlighted one particular distortion in its concluding observations, that of the circumvention of quotas. This was a matter of concern to all parties; for Hong Kong as well. He said that Hong Kong was a separate customs territory with autonomy in its commercial affairs and it was very much in their interests to maintain effective border control. Circumvention ran counter to those deep interests. Hong Kong was addressing the problem with vigour; it was deeply concerned by circumvention and was as determined as any other member government to combat such activity. But the real solution, the lasting solution to the problem of circumvention lay in returning trade in textiles and clothing to the free market and the disciplines of the GATT.

31. He commented that there were many other distortions caused by the MFA, but they were not detailed in the TSB annual report, so he did not raise them on this occasion. Sufficient to say, these distortions constituted an injustice in the world trading system. He referred to the statement of Benjamin Franklin, that "Commerce among nations should be fair and equitable". These words, he said, which ring true for us all were carved above the doors of the United States Department of Commerce building in Washington, DC. He looked to the United States and to the other importing countries to help all parties apply those principles to trade in textiles and clothing. He felt that the Uruguay Round draft agreement offered a way; the ten year transition it provided was longer than Hong Kong would like to see, and the integration was slower. It offered, however, a real opportunity for all to move away from the inequities inherited in the MFA. He encouraged all to work together to put it in place with all possible speed.

32. The representative of India, commenting on the TSB report, drew attention to page 203 where some conclusions regarding the application of the MFA were outlined. He referred specifically to the fact that the MFA had been in force for over 18 years; that it had led to deep and widespread distortions in production and in international trade flows and practices; that vested interests had been spawned; that the administration of the MFA was becoming more and more difficult and complex; and that in the application of the Arrangement considerations other than economic had come into play. He said that the question raised by the report and one which would strike laymen was why such an Arrangement should still be in force. He said that the MFA was a serious derogation from GATT rules and shouldn't, in the first place, have been concluded at all. He expressed the hope that the early political conclusion to the Uruguay Round that all were seeking would provide an answer with a fair and balanced result in the area of textiles and in other areas as well.

33. The representative of Pakistan recalled that the ITCB statement had concluded by questioning the very efficacy of the Arrangement. He reiterated that the MFA which was supposed to be a short breather had now been in existence for 19 years; as the TSB report had pointed out, it had led to widespread distortions in international trade flows, created deep-rooted vested interests, and had produced complex systems of quota administration. He particularly referred to the TSB conclusion that in the application of the Arrangement, foreign policy or domestic political considerations had, in several cases, taken precedence over economic considerations. For all these reasons, he queried the justification for the continuation of the MFA.

34. He said that the principal aim in the implementation of the Arrangement was to further the economic and social development of developing countries and to secure a substantial increase in their export earnings from textile products and to provide for a greater share for them in world trade in these products; yet, as the TSB report had observed, MFA restraints continued to be applied almost exclusively to products from developing countries. Obviously, this was in conflict with the principal aim of the MFA, he maintained.

35. He noted that the TSB report had rightly observed that the objectives of achieving the reduction of barriers and of progressive liberalization of world trade in textiles had not yet been attained. He therefore stressed the necessity of substantially increasing the pace of liberalization. While hopeful that the conclusion of the Uruguay Round was in sight, he expressed concern over suggestions to extend the period of transition for bringing the MFA to an end, a period which was already substantially longer than they would have hoped. Emphasizing the need to create the conditions necessary to facilitate the process of phasing out the MFA restrictions through the Uruguay Round agreement, he felt that it was essential at least to follow two things: one was to arrest any worsening of conditions of access, and in this respect he expressed concern over a spate of calls for further restrictions that a number of countries, including his own, had been confronted with during the past few weeks. Secondly, he urged that since the objective of the MFA had not been achieved even after 19 years of its existence, it was essential to accelerate the process of liberalization by providing for substantial improvements in access levels in the bilateral agreements that may be concluded for the coming year if the Arrangement were extended. He thought that these improvements ought to be reflected in base levels, growth rates, and flexibility provisions.

36. In closing, he noted that the TSB report had referred to the concern expressed by certain participants over circumvention of quotas. On this point, he associated his delegation with remarks made by previous speakers and added that the allegations of circumvention should have to be substantiated by positive evidence rather than mere allegation. In this context, he pointed out that until circumvention had been clearly established, unilateral actions to charge quotas on the basis of mere allegations were against the spirit of multilateralism as well as the relevant provisions of the MFA and the 1986 Protocol, and must not be resorted to.

37. The representative of the United States, referred to point (v) on page 204 of the TSB's report and commented that it would be more accurate if it read: the objective of completing or achieving the elimination of barriers to world trade in textiles had not yet been obtained. He commented that if one read the report or if one listened carefully to the Chairman's oral intervention one would find that there had been a reduction of barriers and without listing them, mentioned the case of Sweden which had eliminated all MFA restrictions. Hence, to say that the objectives of achieving a reduction of barriers had not yet been attained was, in his view, not correct.

38. While noting in the TSB Chairman's report and in the ITCB statement the list of countries which maintain no restraints or countries which maintained GATT-consistent restraints, he said that in the context of liberalization of trade, a restraint was a restraint. He noted that in fact of the five members maintaining GATT-consistent measures, for three of them, whose total population would be about two billion people, imports of textile and clothing products into those three countries were virtually impossible. He emphasized that the current restraints maintained under the MFA, which was a multilaterally-agreed international instrument, do have an effect on trade; however, the effect was not all one way. He commented that there were members of the Committee which were now shipping textile and clothing products to the United States which, in all probability, would not be doing so if the Arrangement were not in effect. He also said that there were a good many countries which had no desire to see the MFA terminated, some would prefer to see a phase-out period longer than ten years. Consequently, it was clear that there are divergences of views among participants in the Textiles Committee when it came down to the negotiations.

39. The representative of Jamaica emphasized their commitment to the principle of liberalized trade which should result in more trade from more countries not more trade for fewer countries. As regards the proposed duration period of the transition envisaged in the Uruguay Round Agreement on Textiles and Clothing, Jamaica affirmed its desire for a transition period of fifteen years. He also supported the earlier comments of Hong Kong on the subject of circumvention.

40. The Committee took note of these statements.

Agenda Item "B": Continuation of Discussion on the Future of the MFA

41. Turning to the next agenda item, the Chairman recalled that Mr. Hussain, on his behalf, had been carrying out extensive consultations on the future of the MFA over the past several weeks with a large number of delegations. He said that, as a result of these consultations, he was now in a position to put before the Committee a draft Protocol and a draft Decision of the Textiles Committee maintaining in force the MFA and the 1986 Protocol of Extension for a further period of 12 months, that is 1 January to 31 December 1993 (see Annexes I and II respectively, attached). He noted that these texts represented a collective effort in a true spirit of compromise and mutual understanding shown by each participant. He said he realized that for all participants this compromise had had its share of pain and that they had moved forward to consensus from their respective positions to achieve this result. Keeping in mind the issues which had come up during this intensive process, he was convinced that the texts before the Committee represented the best possible consensus position for adoption by this Committee. As proposed by the Chairman, the Committee adopted the Protocol and the Decision of the Textiles Committee.

42. The Chairman informed the Committee that following the adoption, the Protocol Extending the Arrangement for a further period of twelve months would be open for acceptances.

43. The spokesman for the EEC commented on the position which his delegation had taken in the negotiations. At the outset he said that, the Community still felt very strongly that it would have been preferable to have a longer duration for this extension. This was not sought in order to be unhelpful to the process, nor because of any lack of commitment to the Uruguay Round; rather, it was considered essential to avoid any uncertainty about the future multilateral trade system which would be bad for mutual trade. With regard to the compromise which had been reached, he drew the Committee's attention to the very difficult circumstances in the Community which had formed the background to the decision. Since 1986 the Community had been practising a very liberal régime towards textiles and clothing imports, they had taken a conscious decision in 1986 to remove 25 per cent of their restrictions and, as the Community representative had said in this Committee at that time, this was done in the expectation that there would be a parallel move towards opening markets for textile and clothing products for mutual benefit by all participants.

44. Today, he said, the Community found itself in quite a changed economic climate with a severe recession. Everyone was aware of this and as the annual report of the TSB made clear, the Community's share of imports from MFA countries had increased dramatically over this period. In 1991 there was a further 23 per cent increase in imports of clothing and this at a time when production in the Community was falling sharply, demand was stagnant and investment had fallen to record lows. He pointed out that despite this critical situation, the Community had continued to fulfil its obligations under the present Arrangement and would continue to do so with regard to issues such as market access and equity.

45. He expressed the hope that the Committee would appreciate the difficult situation in which the EEC was having to continue these efforts. Members of the Committee would also appreciate that this extremely serious situation in the Community's textiles and clothing industry had meant that the EEC Council had been obliged to adopt a very strict negotiating position with regard to the renewal of this Arrangement and indeed with regard to renewal of the bilateral agreements. It was therefore essential for the Community to maintain and preserve its existing rights under the Arrangement and it would pursue in the appropriate fora further widespread market opening measures by all participants in world textile and clothing trade. Finally, he expressed the appreciation of the Community delegation for the references in this text to two areas of growing concern for his delegation; namely circumvention and infringement of trademarks and designs. The recognition given to those two items in this decision was noted.

46. The representative of Brazil said his delegation wished to express sympathy for the problems that the EEC was facing with the recession it was undergoing. Brazil was unfortunately also undergoing a recession and, having a different point of departure than that of the EEC, as Brazil had a much lower income rate, his delegation could fully appreciate the problems deriving from such a situation.

47. The representative of Egypt said that they had a balanced view of the outcome which reflected the interests of both the exporters and importers and, being a compromise, it did not fully please anybody. He said that they had been assured by the importers of continuing the trend to increase market access and that this would continue for the next year and there would be no reversal of this trend. Concerning circumvention, he said that it was not only the importing countries who were worried about circumvention as exporters too shared this concern. He assured all parties that his country would do all possible to deal with this situation.

48. The Committee took note of these statements.

Agenda Item "C": Membership of the TSB for the Year 1993

49. The Chairman noted that in the light of the decision which the Committee had just taken to extend the MFA for a further year, it then became evident that the Committee would have to consider the membership of the TSB for the year 1993. He said that, in anticipation of a successful outcome of the discussions on the MFA extension, consultations had been held regarding the membership of the TSB for the period beginning 1 January 1993 and it had been proposed that the Body should be composed of members designated by the following parties: Brazil, Canada, EEC, Egypt, Finland, Japan, Korea, United States, and an ASEAN member country. Also for the first six months Romania would designate a member followed thereafter by a party, member of the ITCB. This proposal was endorsed by the Committee. Also with respect to the TSB, the Chairman suggested that the Committee should proceed on the understanding that the extension of the 1986 Protocol implied the extension of the appointment of the Chairman of the TSB made thereunder. This, too, was agreed.

50. The Chairman of the TSB, Ambassador Raffaelli referring to the decision the Committee had just taken to extend the MFA and to appoint TSB members for 1993 said that the members concerned should request their governments to speed the acceptance process of the Protocol because a country which was not yet a member of the new Protocol could not evidently appoint a member to the TSB. If there were delays in the appointment of members, the TSB could not properly function. Accordingly, he urged the delegations concerned to ask their capitals to move as promptly as possible to accede to the new Protocol and then to appoint the members of the TSB.

Agenda Item D: Other Business

Additional Agenda Item: Initiation of Discussions of the Future of the MFA

51. The Chairman pointed out that since the Protocol of Extension, which the Committee had just approved, was for a one-year period, he found it necessary to remind the Committee of the provisions of Article 10:5, "The Committee shall meet not later than one year before the expiry of this Arrangement to consider whether the Arrangement should be extended, modified or discontinued". Since the new Protocol would expire on 31 December 1993, it was mandatory that he raise this item with the Committee at this meeting.

52. He noted, however, that although Article 10:5 technically required the Committee to initiate discussion today; he would not propose to enter into any discussion at this point. The Committee noted this item.

Date of Next Meeting

53. The Chairman advised the Committee that, at the present moment, he had no date to suggest for the next meeting of the Committee. He did say, however, that it would be fixed in consultation with delegations.

ANNEX I

PROTOCOL MAINTAINING IN FORCE THE ARRANGEMENT REGARDING
INTERNATIONAL TRADE IN TEXTILES

The PARTIES to the Arrangement Regarding International Trade in Textiles (hereinafter referred to as "the Arrangement" or "MFA"),

ACTING pursuant to paragraph 5 of Article 10 of the Arrangement,

REAFFIRMING that the terms of the Arrangement regarding the competence of the Textiles Committee and the Textiles Surveillance Body are maintained, and

FOLLOWING the Decision of the Textiles Committee adopted on 9 December 1992;

HEREBY AGREE as follows:

1. The Arrangement, including the Conclusions of the Textiles Committee, adopted on 31 July 1986, as amended by the 1989 Protocol Amending the 1986 Protocol Extending the Arrangement Regarding International Trade in Textiles, shall be maintained in force for a further period of twelve months until 31 December 1993.
2. This Protocol shall be deposited with the Director-General to the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade. It shall be open for acceptance, by signature or otherwise, by the Parties to the Arrangement, by other governments accepting or acceding to the Arrangement pursuant to the provisions of Article 13 thereof and by the European Economic Community.
3. This Protocol shall enter into force with effect from 1 January 1993 for the parties which have accepted it by that date and it shall enter into force for a party which accepts it on a later date as of the date of such acceptance. It shall be applied provisionally, taking into account their constitutional and/or legislative procedures for ratification, as from 1 January 1993, by parties which have signed it subject to completion of constitutional procedures, or notified the depositary of their intention to apply it provisionally, by that date, and by other parties from the date of their signature or notification of provisional application.

DONE at Geneva this ninth day of December one thousand nine hundred and ninety-two, in a single copy, in the English, French and Spanish languages, each text being authentic.

ANNEX II

DECISION BY THE TEXTILES COMMITTEE TO MAINTAIN IN FORCE THE ARRANGEMENT
REGARDING INTERNATIONAL TRADE IN TEXTILES FOR A PERIOD OF TWELVE MONTHS

1.1.93 TO 31.12.93

1. The Textiles Committee met on 9 December 1992 to resume the discussion that it had begun at its meeting on 6 December 1991 on the future of the Arrangement Regarding International Trade in Textiles (MFA), in accordance with the provisions of Article 10.5 of the Arrangement.
2. The Committee decided to maintain in force the existing MFA, as extended by the 1986 Protocol, and as maintained in force by the 1991 Protocol, for a further period of 12 months from 1 January 1993 to 31 December 1993 in view of the fact that the Uruguay Round has not been completed.
3. The Committee reaffirmed the Conclusions of the Textiles Committee adopted on 31 July 1986 and the obligations contained therein. In this context, participants reiterated that full account should be taken, inter alia, of the special considerations provided for small suppliers and the least developed countries.
4. In taking their decision to further extend the MFA, participants proceeded on the understanding that bilateral agreements for the year 1993 will provide increased market access.
5. Participants reiterated their respect for the equity obligations in the Arrangement.
6. Participants reaffirmed their agreement to co-operate fully in dealing with problems relating to circumvention of the Arrangement.
7. Participants noted the concern expressed by a number of participants with respect to the problem of infringement of registered trademarks and designs in trade in textiles and clothing and noted that such problems could be dealt with in accordance with the relevant national laws and regulations.
8. As to the necessary legal steps in this regard, the Textiles Committee drew up the attached text of a Protocol Maintaining in Force the MFA for a further period of 12 months. The Protocol would enter into force on 1 January 1993.