

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

MTN.GNG/NG4/13

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Special Distribution

Group of Negotiations on Goods (GATT)

Negotiating Group on Textiles and Clothing

MEETING OF 9 JUNE 1989

Note by the Secretariat

1. The agenda, set out in GATT/AIR/2777, dated 18 May 1989, was adopted.
2. The Chairman referred the Group to document MTN.GNG/NG4/12 which contained the main points raised at the last meeting held on 20 April 1989. He also brought to the attention of the Group a letter from the Director-General, in his capacity as Chairman of the GNG, referring to a discussion held in the GNG at its 25 April meeting on a proposal submitted by Bangladesh on behalf of the least-developed countries (MTN.GNG/NG4/W/14/Rev.1). In this letter, he requested that this proposal, along with a related communication from the Chairman of the Sub-Committee on Trade of Least-developed Countries (MTN.GNG/W/15), be considered by the Negotiating Groups in the light of their particular responsibilities. In commenting on this letter, the Chairman recalled that a specific provision in this regard had been included in the TNC Decision on textiles and clothing, namely, that "special treatment should be accorded to the least-developed countries".
3. A participant suggested that, in all stages of this Group's discussions on the formulation of modalities for the process of integration of the textiles and clothing sector into GATT, the particular problems of the least-developed countries and how special treatment could be accorded to them, should be considered.
4. Referring to the organization of the Group's work, the Chairman recalled that, at the last meeting, some participants had mentioned the possibility of providing additional proposals. In this regard, he noted that a further proposal from the group of developing countries, members of the ITCB, had recently been received and circulated in document MTN.GNG/NG4/W/23. He invited other delegations to clarify their intentions in this regard. In response, two participants indicated that they were considering the possibility of submitting proposals which might be forthcoming by the September meeting.
5. Commenting on their further proposal (NG4/W/23), the spokesman for the group of developing countries, members of the ITCB, pointed out that it addressed specific elements for the phasing out of the restrictions under the MFA while other aspects of the April TNC Decision would be taken up in due course. He stated that the further proposal was an elaboration of the elements contained in their earlier proposal and in their subsequent intervention (NG4/W/11 and NG4/W/18). He further commented that some of the approaches in the proposal were already indicated in the 1986 Protocol,

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particularly in paragraph 25, while some others had been adopted, in principle, though in a limited way, in bilateral agreements concluded under MFA IV. He also observed that three options in the Canadian paper (I:1, 3 and 4) were found to be compatible with the group's views and had been incorporated into the proposal.

6. A number of delegations, though not in a position to comment on document NG4/W/23 in detail, welcomed the further proposal as a constructive contribution to the Group's work. By way of general comments, one participant noted that this paper did not provide a mechanism to deal with import surges, should such a situation arise during a transition period. It was, however, pointed out that once the sector was integrated into the GATT, the problem of import surges would no longer be a special "textile" problem. The general question was being discussed in the Safeguards Group. Another observed that the phasing out of restrictions under the MFA, as referred to in this proposal, was one aspect of the work before the Group, another being the strengthened GATT rules and disciplines which would be the basis of such an integration process. One participant referring to the last paragraph of the proposal which stated that no further restrictions should be imposed during the phasing out of restrictions under the Multi-fibre Arrangement, pointed out that all parties retained their rights to take measures, as appropriate, and that in this regard, paragraph 4 of the April 1989 TNC Decision on textiles and clothing was relevant.

7. The Chairman suggested that the Group should undertake an examination of the main points in the proposals and communications previously provided so as to proceed actively with the substantive negotiations. In this respect he referred to the papers received from the group of developing countries (NG4/W/11), Pakistan (NG4/W/10) and the EEC (NG4/W/12). He also drew attention to the communication from Canada set out in NG4/W/21, which listed a range of options and issues relating to the Group's work.

8. In amplifying the points contained in the Canadian paper, its sponsor stated that the objective was to focus on the options available to the Group rather than to polarize the debate on respective positions. He pointed out that it contained two broad groups of modalities, the first group addressing the dismantling of the MFA either by phasing out the restrictions in their existing form or by converting them into another form prior to their reduction or phasing out and the second group addressing the MFA in the context of other provisions required to permit the integration of this sector into GATT. He suggested that these options should be examined against certain criteria, namely, feasibility, scope, data reliability, relationship to other negotiating groups and entry into force.

9. Commenting on the Canadian paper, one participant stated that, in examining any modalities, consideration should be given to their feasibility, simplicity and their contribution to liberalization. Applying this test, he was of the view that options I:1, I:3 and I:4 appeared to meet these criteria although additional information would be required on their specific application. It was questioned, however, if options I:5 and I:6 could meet these criteria. Concern was expressed that the conversion of quotas to tariffs would simply change existing restrictions into another form of restrictions requiring further negotiations for their reduction or

elimination. Referring to the second group of options in the Canadian paper, it was stated that option II:1 was inconsistent with the goals of the present negotiations, i.e., the phasing out of restrictions; option II:2 was already before the Group in the TNC Decision; option II:3 was not a subject for this Group since tariffs were being negotiated elsewhere in the Uruguay Round; option II:4, selective safeguards were not acceptable and would simply exchange one non-liberal, GATT inconsistent régime with another; and option II:5 would not constitute liberalization of trade.

10. Another participant stated that a very important question raised in the groups of options was that of the techniques to be applied in implementing any modalities, that is, to address the existing restrictions directly in order to consider whether they could be frozen, reduced or eliminated or to examine the possibility of converting the restrictions to other forms, such as tariffs, and then to consider if they could be frozen, reduced or eliminated. Referring to option II:3, concerning the reduction of tariffs and non-tariff measures, one participant was of the view that the integration of this sector into GATT called for the binding of all tariffs on textiles and clothing.

11. Referring to both the further proposal by the group of developing countries and the Canadian communication, one participant observed that these must be seen in the broader framework of the negotiations in this sector as set out in the Punta del Este Declaration. He stated that his authorities, pursuant to their examination of the outcome of the Mid-term Review generally welcomed the conclusions reached and underlined the importance they attached to a positive outcome of the Uruguay Round. With respect to the textiles and clothing sector, his authorities emphasized the importance of respecting the Group's mandate which, in their view, comprised two fundamental aspects: the integration of the textiles and clothing sector into GATT and the strengthening of GATT rules and disciplines as a basis for this integration process. As regards the strengthening of GATT rules and disciplines, he emphasized that there were three major areas for discussion: first, market opening with contributions by all participants; second, establishment of normal, equitable conditions for international competition including discussions on subsidies, dumping and counterfeiting; and third, the matter of safeguards. Safeguards would have to be dealt with from two aspects: transitional safeguards with respect to textiles and clothing to be applied during the process of integration; and general safeguard rules applicable to all sectors and to textiles and clothing once integrated into GATT. He added that the transitional safeguard mechanism could be discussed in this Group as a part of the modalities for integration while general safeguard rules would be negotiated in the Safeguards Group.

12. One participant, referring to the overall framework for the negotiations, pointed out that an important aspect of the mandate was that modalities should lead to a further liberalization of trade. Another participant was of the view that the process of integration, in the context of the Punta del Este Declaration, referred to the eventual integration of the textile and clothing sector and not just the restrictions maintained under the MFA. He stated, therefore, that modalities must take account of all measures not currently integrated into the GATT. In this regard he suggested that the Secretariat be requested to compile an inventory of

trade restraints and measures having effects equivalent to restraints in the area of textiles and clothing. He also felt the Group should address both the process of integration and the strengthening of GATT rules and disciplines. For this purpose, it was suggested that three inter-related aspects had to be considered: the parameters of the work, the techniques and modalities for bringing about integration and an understanding by participants of how GATT rules and disciplines were being strengthened. This presupposed the consideration of which GATT rules and disciplines would need to be strengthened in order to permit any modality developed by this Group to be implemented.

13. A number of participants reiterated the view that the Group should consider specifically the restrictions applied under the MFA with other issues being addressed in their respective groups. Some participants were concerned that the work in the Group should not be unnecessarily complicated by bringing into the negotiations other subjects being dealt with elsewhere, though they might be related to textiles and clothing trade. It was accepted, nevertheless, that developments in a number of other groups would have to be taken into account in the final stage of the negotiation process.

14. In respect of the tariff negotiations, it was noted that the TNC Decision provided that substantive negotiations in this area were to begin in July in the Negotiating Group on Tariffs and it was questioned if an initiative should be taken by participants in this Group to confirm that textiles and clothing tariffs should be taken up in NG1. Another participant pointed out in regard to tariff negotiations that there existed two different contexts to the process, that is, the traditional tariff reduction negotiations and the consideration of the extent to which tariffs constitute a significant barrier to trade. In this latter context, tariffs would be an element to be addressed in regard to the eventual integration of this sector into GATT. In this respect one participant reiterated that all aspects of tariffs, including high rates, should be discussed in the Tariffs Group.

15. As regards the proposal for an inventory of restraints outside the MFA, some participants voiced their opposition to the Secretariat undertaking this task. The point was made that non-MFA restrictions inconsistent with GATT rules and disciplines were normally maintained by the developed importing countries. It was, thus, open to the participants concerned to provide such information. The matter was left before the Group for further reflection.

16. The Chairman noted that the Group would meet again on 24-25 July. He urged that, for the next meeting, participants be prepared to undertake a comprehensive examination of the further proposal provided by the group of developing countries and to continue the examination of the previously submitted proposals and communications.