

**MULTILATERAL TRADE  
NEGOTIATIONS  
THE URUGUAY ROUND**

RESTRICTED

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Group of Negotiations on Goods (GATT)

Negotiating Group on Textiles and Clothing

MEETING OF 21-22 SEPTEMBER 1989

Note by the Secretariat

1. The draft agenda, set out in GATT/AIR/2920, dated 9 August 1989, was adopted.

Introduction

2. The Chairman referred the Group to document MTN.GNG/NG4/14, containing the main points raised at the July meeting. He urged those who had been contemplating submitting proposals to do so without delay and invited all participants to make clear their positions on the various elements under discussion so that by the end of the present stage, in December, the respective positions of participants would be clearly established and the Group should be in a position to make a first evaluation of the work done so far vis-à-vis its objectives.

I(a) Statement by the United States delegation

3. The United States delegate, in his statement, (reproduced in MTN.GNG/NG4/W/26) reaffirmed their objective in the negotiations, i.e. the eventual integration of the textiles and clothing sector into GATT on the basis of strengthened GATT rules and disciplines, and outlined some of the points which they believed should be given priority attention. In this regard, he stressed that the Group should address: (a) all trade distorting measures in this area which he listed under six categories; (b) that any modalities agreed upon would be based upon strengthened GATT rules and disciplines; and (c) development of an arrangement which would ensure an orderly transition so that at the end of the integration process, all measures taken in this sector should be subject to the strengthened GATT rules. One reason they wished to address the universe of restrictive measures in this area was that all United States' restraints were currently maintained under the MFA or, with non-members, under MFA-type arrangements and therefore with the MFA integrated into GATT, all of their measures would become subject to GATT rules and disciplines. They considered it only fair that, after the integration process is complete, all restraint actions taken by others should equally be subject to GATT rules and disciplines.

4. The United States delegate then turned to the proposal which he had made at an earlier meeting; namely, that the GATT Secretariat be asked to compile a list of non-MFA trade restrictions. He stated that he would, for

the time being, suspend that request, assuming that the Group would find a means of dealing with this issue in due course.

I(b) Comments and explanations relating to the United States' statement

5. A large number of participants welcomed the United States' statement as a useful contribution to the Group's work. While not in a position to provide detailed comments at that point, some participants offered their initial observations and sought clarification of some aspects. Some participants commented that the reference in the third paragraph to "all trade distorting measures" represented a new and different interpretation of the Group's mandate and pointed out in this regard that the April TNC Decision referred specifically to MFA restrictions and other restrictions not consistent with GATT rules and disciplines. In response, the United States delegate drew attention to paragraph 3(b) of the April TNC Decision and the use therein of the term "inter alia" which, he considered could be taken to cover such matters.

6. Commenting on the six categories of trade measure listed in the statement, it was noted that category 1, "Measures taken under a formal, multilaterally agreed derogation from (or alternative to) normal GATT procedures ..." included MFA restrictions and MFA-type VRAs; the latter being non-MFA matters should be addressed separately. As regards category 2, "Measures undertaken outside normal GATT procedures by, or sanctioned by, governments participating in the Uruguay Round negotiations", it was pointed out that this area was being discussed in the Safeguard Group and should not, therefore, be a subject for consideration in this Group. Another participant questioned if it was the intention through this category to bring into the negotiations the activities of private parties or market operators. In response, the United States delegate said that the intent was to include in the discussions formal industry/industry or industry/government agreements having the same effect as a bilateral agreement negotiated between governments. In respect of category 3, "Measures taken in the form of safeguard actions or in order to protect infant industries or for balance-of-payments reasons but not formally notified, justified or approved pursuant to normal GATT procedures", it was pointed out by a number of participants that this Group was not the appropriate forum for such discussion. A view was held, however, that some of the existing measures in this area might appropriately be addressed under category 3, while pointing out that measures for balance-of-payments reasons would partly fall under the aspect of strengthened GATT rules and disciplines. The United States delegate, referring to the points raised in categories 1 to 3, pointed out that it was not being suggested that measures mentioned therein should be eliminated forthwith; rather all such measures should, by the end of any process of integration, be regularized and brought into conformity with the GATT.

7. With reference to category 4, "Measures maintained by members of this Uruguay Round negotiating group which are not now members of the GATT", it was asked if the intention was to bring about the integration into the GATT of the régimes of those participants in the Uruguay Round who were not currently GATT members. In response, the United States delegate explained

that there should be some technique to ensure that all measures affecting this sector maintained by non-GATT member participants would be integrated into GATT within the same timeframe as measures maintained by participants who were already GATT members.

8. Commenting on category 5, "Measures such as unbound tariffs which, while not necessarily inconsistent with GATT, can be said not to be integrated into GATT ...", the view was expressed that there was no GATT requirement that all tariffs be bound, furthermore, all aspects relating to tariffs were being discussed in another negotiating group. In response, the United States delegate said that, if this sector is to be integrated into the GATT, such process of integration should include the binding of textile and clothing tariffs.

## II. Discussion on proposals before the Group

### (a) General

9. The spokesman for the group of developing countries, members of the ITCB, commented upon a number of points in the EEC and Swiss proposals. Referring first to some of the general aspects mentioned in these proposals, he expressed satisfaction with the EEC's willingness and determination to proceed with the substantive negotiations with a view to their completion by the end of 1990. He also welcomed the statement in the Swiss proposal that the negotiations should move rapidly into the stage of substantive negotiations. He noted that both the EEC and Switzerland shared the view held by the group of developing countries that the process of integration should commence with the end of MFA IV. Concerning the possible techniques for the progressive elimination of restrictions, he noted that the EEC had expressed willingness to play a constructive rôle in the examination of contributions by other participants while the Swiss were of the view that the modalities on the phase-out of MFA restrictions, already before the Group, constituted a good starting point for the negotiations. Consequently, he suggested that detailed negotiation should begin on the basis of the proposals of the developing countries (MTN.GNG/NG4/W/11 and 23) and Pakistan (MTN.GNG/NG4/W/10), which address the reduction and progressive elimination of MFA restrictions.

10. Further observations of the spokesman for the group of developing countries along with the views of other participants on specific points in the EEC and Swiss proposals are set out under the respective headings in the following paragraphs.

### (b) The EEC proposal (MTN.GNG/NG4/W/24)

#### b(i) Introductory section: Parallelism and synchronization

11. It was noted that in the introduction to the EEC proposal reference was made to "the parallelism between the gradual integration of textiles into GATT and the application of strengthened rules and disciplines within GATT" and to the need for a timetable to be fixed on the basis of the strengthened GATT rules "for the synchronized implementation of balanced undertakings from all participants". In this regard, a number of

participants were of the view that the work in this Negotiating Group must proceed independently of that being undertaken elsewhere and, in addition, there was no provision in this Group's mandate relating to synchronized implementation of the results of the negotiations. It was felt that any effort to synchronize the implementation of the results of the negotiation would unnecessarily encumber the phase-out process and would, in any case, not be feasible. Another view was that relationships existed between groups on substance but not on procedures, hence, the groups should work in parallel until the stage of final trade-offs, and at that point it would be for each group to decide upon its own timetable for implementation of results. Another participant added that it would be for the GNG and TNC to determine the balance in the overall package as well as in the implementation of the results.

12. In explaining their views on the concept of parallelism, the spokesman for the EEC pointed out that there were three distinct phases where parallelism should be considered; namely, during the negotiations, at the conclusion of the Round, and during the implementation of the results. Referring first to parallelism during the negotiations, he stated that each group would be responsible for conducting the negotiations within its purview and for developing general disciplines. However, this Group would have to pay attention to the developments in a number of other groups since progress in the strengthening of GATT rules in those groups could have a major impact on the work in this Group and would be one element in its final conclusions. On the second aspect, parallelism in the conclusion of the negotiation, it was pointed out that since the Uruguay Round was a global undertaking requiring balanced results, each participant would have to arrive at a judgement as to the presence or otherwise of such balanced results, (parallelism) in the outcome of the negotiations. The third aspect, parallelism in implementation, referred to the need for a coherent integration programme synchronizing the various implementation calendars which should reflect balanced efforts by all participants.

b(ii) Section I: Timespan for the process of integration

13. Participants commented on various aspects of the timespan for the process of integration as set out in Section I of the EEC proposal. One participant referred to the concept in paragraph I.3 of graduality comprising intermediate steps and stated that the April TNC Decision referred only to the progressive character of the process but not to graduality. Another participant expressed concern with paragraph I.6.(a), which states that future arrangements must be negotiated "in the light of the situation prevailing at that time" and with section I.6.(d), which states that the problem of establishing a completion date for the integration process could only be examined in detail "once the Uruguay Round is drawing to a close and an overall view of the negotiations is possible". It was felt that this approach risked leaving the liberalization of textiles trade as a residual issue whereas, progress in this Group should at least match that achieved in the other market access groups. Another participant suggested that there should be an early agreement on a definitive timetable including the various stages, and not leaving each stage to be negotiated separately. It was also stated that the phase-out should be accomplished over a short timeframe following the

expiry of the current Protocol of Extension. It was also noted that paragraph I.6 referred to the discussion required in the Textiles Committee on the future of the MFA which would expire at the end of July 1991 and the possibility of the process of integration coinciding with the entry into force of any post-MFA IV arrangements. In this regard, it was pointed out that there were no inherent linkages at this time between the negotiations in this Group and the discussions required to be entered into in the Textiles Committee.

14. In expanding on the issue of timespan, the spokesman for the EEC stated that the question of deciding upon the date for the ending of the transition period was both difficult and sensitive, and that there were many aspects of the work to be addressed such as scope and basic techniques, before moving to consideration of the date for the final integration. As to the beginning of the integration process, he noted that the conclusion of the Uruguay Round at the end of 1990 and the termination of the current Protocol of Extension in July 1991 were a fortunate coincidence for the work of this Group.

b(iii) Section I: Monitoring of integration process

15. Concerning the proposal in Section I.8, that "a specific body should be set up to monitor the integration process", some participants expressed their support for the Community's view on verification and the need for a specific body for this purpose; others invited further details on this concept before commenting. The spokesman for the EEC pointed out that, in their view, a monitoring body would be required to ensure that commitments were respected if the process of integration were to be extended over a certain period of time.

b(iv) Section II: A specific transitional safeguards mechanism

16. A number of delegations expressed concern with respect to the specific transitional safeguard mechanism described in Section II.C of the EEC proposal. It was stressed that there should be no scope for replacing the MFA with another equally restrictive arrangement nor with any mechanism which could result in the perpetuation of some kind of MFA-type arrangement. Integration should be a one-way street with no possibility of re-establishing any restrictions liberalized during the phase out period nor of applying restrictions to goods not subject to such measures at the beginning of that period, under the provisions of a transitional safeguard mechanism. Any trade liberalized during the transitional period would have to be dealt with under the general GATT safeguards procedures. It was also observed that any transitional safeguard measure should have a specific termination date to ensure that the trade liberalization objective in dismantling the MFA was not compromised by the introduction of a revised safeguard agreement which would enable the present régime to be left effectively unchanged and simply declared to be within the ambit of GATT. Concern was also expressed that the reference in paragraph II.C.4 to relaxing the transitional safeguard mechanism during the integration process could involve further selectivity, and, hence, more undesirable derogations from the GATT.

17. Also in regard to a transitional safeguard mechanism, one participant was of the view that the objective during the transitional period should be to avoid entirely new restrictions with the exception of those making clear cases of import surges causing or threatening to cause serious injury. He added, however, that the need for a separate safeguard mechanism would have to be considered in the light of how the issue of coverage was addressed in the Negotiating Group on Safeguards. Another participant commented that the necessity of a transitional safeguards measure would be dependant on the outcome of discussion on strengthening GATT rules and disciplines. The view was also expressed that any safeguard measure which might evolve from the negotiations in this Group could not be different from the new, general safeguards measure.

18. The spokesman for the EEC explained that the objective of the proposal was to develop a specific transitional measure which: would fully respect the principle of progressivity; would be strictly limited in time; and would be different from the general safeguard mechanism. It would take into account the temporary transitional difficulties in this sector and at the same time, in his view, facilitate the negotiations on a general safeguard measure. He identified two aspects which would have to be addressed in developing a transitional safeguard mechanism. First, which of the existing restrictions would have to be maintained in the various stages of the integration process and, second, the nature of the specific safeguard measure. In respect of the latter, he suggested that participants should bear in mind the long experience in the use of Articles 3 and 4 and the basket extractor mechanism.

b(v) Section III: Strengthening of GATT rules and disciplines

19. While agreeing that this was one of the primary objectives of the Uruguay Round, some participants expressed the view that it was for each delegation to keep abreast of developments in the relevant negotiating groups and to see to what extent their interests were being promoted. It was not for this Group to take formal cognizance of the work being conducted in other groups. Furthermore, the goal of the negotiations had to be the ultimate application of GATT rules and disciplines to the textiles sector in the same manner as they were applied to all other sectors and not the creation of a special GATT for textiles and clothing. In elaborating on this topic, the Community spokesman recalled that the Punta del Este Declaration made a specific provision for strengthened GATT rules and disciplines only in the case of textiles and clothing and this element could not be overlooked. While he accepted that other groups were responsible for negotiating the details of the various topics and for developing improved general rules and disciplines, he felt that this Group had a compelling interest in following and discussing the work in other groups on strengthened GATT rules and disciplines since certain objectives had to be achieved in those other groups which, ultimately, would form the basis for the integration process for this sector.

b(vi) Section III: Opening-up of markets/creation of fair competition

20. Reference was made to Section III of NG4/W/24, concerning the strengthening of GATT rules and disciplines, and in particular, the concepts of the opening-up of markets involving contributions from all negotiating partners and the creation of fair competitive conditions. Some

participants supported these concepts considering them to be important counterparts in the overall integration of this sector into GATT. On the other hand, a number of participants considered these concepts not to be subjects for discussion in this Group, as they were not included in either the Punta del Este Declaration or the Mid-term Review Decision. One participant commented that liberalization measures should be undertaken in a concerted manner by all countries according to their economic development with the initial burden being shared by the major importing countries and the more advanced developing countries.

b(vii) Section III: Access to raw materials

21. A number of participants, also referring to Section III, voiced concern with the concept in paragraph B.2, which proposes "textile exporting countries ensure that there were no artificially-created price differences between raw materials for local production and that for export". Some participants considered that this concept was beyond the scope of the negotiations in this Group. The spokesman for the EEC explained that selling raw materials to domestic producers at one price and to importers at a higher price, or not at all, was unfair and that it distorted normal competition. Consequently, he felt that it could be appropriately considered under the strengthening of GATT rules.

(c) The proposal of Switzerland (MTN.GNG/NG4/W/25)

c(i) Section I: The flexible approach to eliminating restraints

22. Referring to the third approach suggested in Section 1.a of the Swiss proposal, developing modalities for the progressive elimination of MFA restrictions leaving to the discretion of the parties the choice of the appropriate modality(ies), described as a flexible approach, some participants were of the opinion that such an approach would entail bilateral arrangements and, on this basis, would not be acceptable. In this regard, it was stressed that the phase cut programme should be developed multilaterally, be written into a document and bilateral contacts should be limited to administrative arrangements. Another participant found the flexible approach unattractive as it would be difficult to arrive at a comparative evaluation of the extent of liberalization between different importing countries. The view was also expressed that this approach could lead to trade diversion rather than trade liberalization. On the other hand, the view was expressed that this approach should be considered since it would allow for the differing domestic circumstances in the importing countries to be taken into consideration, although it would have to be measured against guidelines that had been agreed multilaterally.

23. Commenting on this, the Swiss delegate explained that a flexible choice in the methods of eliminating restrictions should not lead to bilateralism as it would be part of a multilaterally agreed transitional arrangement. In addition, the pace of liberalization would have to be proportionately the same in all importing countries and would be monitored. He pointed out that the objective of this proposal was to provide individual importing countries with greater flexibility in adapting to the new, more competitive trade conditions.

c(ii) Section I: Non-MFA and non-GATT consistent restrictions

24. A number of participants concurred with the suggestion set out in section 1.b of the Swiss proposal that non-MFA restrictions which are not consistent with GATT could be identified through submissions by participants for consideration by the Group, on a case-by-case basis. Another participant expressed reservation at the idea of having this Group examine such notifications during the negotiation process. Yet another participant questioned the competence of this Group to determine GATT consistency or otherwise of restrictions and felt that such discussions in this Group would be time consuming and controversial.

25. By way of explanation, the Swiss delegate stressed that these measures would normally fall under the general commitment of rollback wherein they should be eliminated. However, if a participant felt that one or more particular issues should be discussed by the Group as being of crucial importance for him in order for the negotiations to advance, then such measures could be notified and considered by the Group on a case-by-case basis.

c(iii) Section 2: Modalities for a Transitional Arrangement

26. Referring to Section 2 of the Swiss proposal on modalities for a transitional arrangement, the question was raised as to what was meant by a "reasonable period of time" mentioned for the integration process. In response, the Swiss delegate explained that this referred to the time period required for the necessary structural adjustments in all countries, starting following the expiry of the current Protocol of Extension; the ending date being subject to negotiation.

(d) Aspects common to a number of proposals

d(i) Modalities for the phasing out of restrictions:  
tariffication/global quotas

27. A number of participants commented on the techniques suggested for phasing out restrictions whereby existing measures would be converted to their tariff equivalent, tariff rate quotas, or global quotas and then reduced or phased out over an agreed time span (see NG4/W/21, paragraph I.5/6, NG4/W/24, paragraph B.1 and NG4/W/25, paragraph 1.a). Several participants were of the opinion that these would not be acceptable techniques as they would be too cumbersome to be feasible and would serve only to replace one form of restrictions with another.

28. In this regard one participant, recalled the three parameters for modalities which he had suggested at an earlier meeting; namely, that the modality should be simple, feasible, and contribute to liberalization. He stated that the conversion of restrictions to tariff equivalents or quotas would fit none of these criteria. Other participants expressed their doubt about the possibility of employing these techniques. Referring specifically to global quotas and tariff quotas, one participant said that he was not necessarily against them, but more details on their implications would be required.

29. In the context of the discussion on tariffication/global quotas, it was suggested that the Group should take up some of these techniques to see which could be ruled out of hand and then to concentrate on those which proved promising for the purpose of arriving at an agreed modality. One participant stated that it was important at this point in time to keep as many options as possible open and to fully examine all of these options in order to assist his authorities in the finalization of their negotiating position. In this regard it was pointed out that such examination could only be conducted on the basis of concrete proposals.

d(ii) Phasing out of MFA restraints

30. A large number of participants expressed a preference for the modality involving the phasing out, per se, of MFA restrictions. In this regard, the attention of the Group was drawn to the specific proposals on this question put forward by the group of developing countries (MTN.GNG/NG4/W/23) and by Pakistan (MTN.GNG/NG4/W/10). One participant suggested, as a first step in the process of phasing out bilateral agreements under the MFA, that consultation and monitoring arrangements should be removed and that Article 3 restraints should be gradually replaced by Article 4 agreements.

d(iii) Treatment of least-developed countries

31. Referring to the provision in several proposals that special treatment should be accorded to least-developed countries, one participant suggested in this context that all existing restraints on imports from the LLDCs be removed by the end of the Uruguay Round and no new import restrictions be introduced. Another participant pointed out that least-developed countries should not be expected to reciprocate in any way for the liberalization of restraints. Yet another participant added that restrictions should first be eliminated not only for LLDCs but also small suppliers, cotton and wool producing exporting countries and new exporters, with special attention being paid to the highly indebted countries. A number of participants requested an elaboration of the specific measures envisaged for those countries.

d(iv) Additional proposals

32. Referring to paragraph 3(c) of the April TNC Decision, inviting participants to put forward additional proposals and to the Chairman's introductory comments in this regard, one delegate urged all participants to provide their specific ideas on modalities for the phase out of MFA restrictions in order to advance the substantive negotiations. One participant advised the Group that they were planning to put forward a paper on modalities in October.

### III. Future meetings

33. The Chairman recalled that the next meeting of the Group was scheduled for 31 October, plus half days on 1 and 2 November. Concerning the meeting scheduled for 13-14 December, he proposed that the dates be changed to 14-15 December. This was accepted. Looking at the calendar for the first few months of 1990, he suggested, and the Group accepted, that meetings be scheduled on 6-8 February, 6-8 March and 4-6 April, 1990.