

**MULTILATERAL TRADE  
NEGOTIATIONS  
THE URUGUAY ROUND**

RESTRICTED

MTN.GNG/NG4/16  
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Group of Negotiations on Goods (GATT)  
Negotiating Group on Textiles and Clothing

MEETING OF 31 OCTOBER AND 1 NOVEMBER 1989

Note by the Secretariat

1. The draft agenda, set out in GATT/AIR/2856 of 10 October 1989, was adopted.

Introduction

2. The Chairman referred the Group to the following documents: MTN.GNG/NG4/15, a note by the Secretariat containing the main points raised at the September meeting; MTN.GNG/NG4/W/27, a submission by Canada, provided to a number of negotiating groups; and MTN.GNG/NG4/W/28, a proposal submitted by India. As to the proceedings for the meeting, the Chairman suggested that in addressing the principal item on the agenda, namely, continuation of the substantive negotiations on modalities for the integration of the textiles and clothing sector into GATT, the Group should first take up the new proposal from India followed by further discussions on the proposals, communications and statements previously provided to the Group. On this basis, he invited the Indian delegation to introduce their proposal.

Proposal by India (MTN.GNG/NG4/W/28)

3. The Indian delegate, referring to the introductory section of the proposal, stressed the vital rôle of this Group in the realization of the overall objectives of the Uruguay Round, and emphasized the importance of textiles and clothing trade to a large number of developing countries for their integration into the world economy. He said that he could not envisage a successful conclusion to the Uruguay Round without a final decision being reached on the integration of the textiles and clothing sector into the GATT. Turning to the specific proposals, he pointed out that the paper addressed the phasing out of the MFA, the most pervasive set of restrictions in this sector, but noted that the scope of the Group's work also covered other restrictions in this sector not consistent with GATT rules and disciplines. In this regard, he observed that such other restrictions had not been identified nor had a method of dealing with them been suggested; consequently, he considered that the Group should proceed at this time on the basis of the phase out of the MFA alone. He further pointed out that although the work in this Group was to be carried out on the basis of strengthened GATT rules and disciplines, the various aspects of this process had been entrusted to other negotiating groups. Therefore, the strengthening of GATT rules and disciplines was not a subject to be addressed specifically in this Group, although it was to be borne in mind by all participants in assessing the balance in the final results of the Round.

4. The Indian delegate also referred to paragraph 6 of the proposal (freeze on new restrictions) and said that this concept, though it had not met with broad acceptance in earlier discussions, was an important provision as it would serve to implement the standstill and rollback commitments in this sector. He added, in response to a question, that there was no contradiction between a freeze beginning 1 January 1990 and a phase out from 1 August 1991 as mentioned in paragraph 10 since GATT Article XIX remained available during the negotiations. Commenting on the list of restrictions proposed for elimination in the first year of the transitional phase (paragraph 9), he said that the removal of such measures would provide some relief to a large number of developing countries while not having a major impact in terms of import levels in the developed countries. In explaining the basis for the inclusion of the categories in paragraph 9, he said that exports from LLDCs needed no explanation; new fibres were an unjustified addition in the 1986 Protocol and should now be removed; handicraft products were already the subject of a special dispensation in the MFA; and restrictions on outward processing trade and on aggregate and group limits were inconsistent with the MFA. In conclusion, he emphasized that there were two basic principles underlying the proposal: first, any transitional arrangement must be based on a multilaterally agreed instrument with bilateral relations limited to administrative aspects, and second, there should be no special safeguard mechanism under which restrictions could be applied to trade liberalized during the phase out period.

5. A large number of participants commented on the Indian proposal, supporting its general direction and stating that it was a well-structured paper which delineated many elements to be addressed in the negotiations. Many participants expressed their support for specific aspects of the proposal including the concept of a freeze on further restrictions, and the approaches to transitional arrangements and safeguards. It was pointed out that, although some participants might differ on the specific numbers mentioned in this proposal, it was an important contribution in that it identified the basic elements for a modality for the integration of this sector into GATT. Some participants were of the view that this proposal, in conjunction with those of the ITCB and Pakistan were complementary and thereby served to advance the work in the Group. With regard to paragraph 10, it was stated that the phase out provisions were the crux of the matter and the many aspects inherent in such a process would have to be elaborated upon and developed in detail. Referring to paragraph 11, some participants suggested that special consideration with respect to the percentage growth rates set out therein should be extended to LLDCs, as well as small suppliers, new entrants and cotton and wool producing exporters. Another participant felt that the list in paragraph 9 could also include products not produced domestically in the importing country.

6. Some participants considered that the Indian proposal was deficient in that it did not address the strengthening of GATT rules and disciplines or non-MFA restrictions inconsistent with the GATT. One participant, noting that the proposal focused specifically on the phase out of MFA restrictions, said that he would prefer that the Group address broader issues before moving to the specific aspects in this proposal. Another

participant cautioned against focusing too early on the precise transitional arrangements as this could sidetrack the discussions; rather, the Group should attempt to develop a set of key elements which would form the basis for the eventual integration process.

7. In commenting on the provisions in the Indian proposal, the spokesman for the Nordic countries recalled their previously-stated positions in relation to a number of the issues raised therein: namely, during the transitional period the objective should be to avoid entirely new restrictions with the exception of clear cases of import surges causing or threatening to cause material injury; the integration process should begin upon the termination of the current Protocol of Extension on 31 July 1991; a special surveillance body should monitor and supervise the phasing out of restrictions; and the timetable for the integration process should be definitive, moving forward at a previously decided pace without leaving the time span for each stage to be negotiated separately.

8. Some participants said they were not in a position to offer detailed comments at this point but would do so at the next meeting.

United States Statement (MTN.GNG/NG4/W/26)

9. In response to questions which had been posed at the September meeting, the United States delegate provided further details on their statement. He emphasized that there were three broad areas set out in the statement which needed to be addressed in the Group on a priority basis with a view to achieving a common understanding. These issues were: (a) the scope of the integration process; (b) the strengthening of GATT rules and disciplines sufficiently to make the integration process feasible; and (c) the transitional arrangement. He expressed the view that the phase-out of restrictions, per se, might not necessarily be the optimum method and that other options were being seriously examined in his country, including the transformation of the existing restrictions to tariffs, tariff rate quotas or global quotas, for the process of integration into GATT. With regard to the transitional period, he considered that it should be of sufficient duration to obviate the need, after such transition, for restrictive measures to be taken under the GATT. He stressed that the modalities developed by the Group must ensure that, at the end of the transition process, no restrictive measures could be taken in the textiles and clothing sector unless they were justified under a GATT provision and notified to the appropriate GATT body, and that governments would agree not to sanctions measures between industrial sectors. He added that if such an undertaking was accepted by participants, it might not be necessary to prepare an inventory of non-MFA measures as previously suggested.

10. Commenting on the six categories of measures listed in the United States' statement, the spokesman for a group of importing countries said they supported the inclusion in the negotiations of categories 1, 2 and 4; however, the measures covered by categories 3, 5 and 6 were being dealt with elsewhere in the Uruguay Round. Referring to the section on modalities for the eventual integration, the view was expressed that it was

now time to choose a modality and enter the substantive negotiations on that basis. In this regard, a preference was expressed for the phase out, per se, of MFA and other restrictions over a specified time frame rather than transformation of such restrictions to tariffs, tariff quotas or global quotas. Another participant supported the general thrust of the statement and commented that the measures listed in the six categories should be part of the overall liberalization process. As to the choice of modalities, he felt that the Group should not foreclose any options at this point.

#### Canadian submission (MTN.GNG/NG4/W/27)

11. The Canadian delegate introduced their submission and commented that the tariff reduction and binding proposals contained therein were relevant to this Group in that the implementation of such measures in respect of textiles and clothing would represent an important contribution to trade liberalization. In this regard, the spokesman for a group of importing countries commented that this was a useful paper and detailed comments on its provisions would be made in the appropriate negotiating groups. Another participant considered that papers such as this one would be a good method to bring subjects of interest to the attention of the Group for information purposes, though not for discussion.

#### Other matters

12. Some participants expressed concern over the introduction of anti-dumping measures against products already subject to quantitative restrictions under the MFA. It was considered that, in view of the provisions of paragraph 26 of the 1986 Protocol, other measures should be used only as a last resort when all relief measures provided in the MFA had been exhausted. One participant added that in view of the circumstances in their domestic market, such measures were unjustified.

#### Future Work

13. In summing up, the Chairman noted that the Group had before it a number of proposals, communications and statements which provided a sound basis for it to develop modalities for the eventual integration of the textiles and clothing sector into GATT on the basis of strengthened rules and disciplines. He further understood that additional contributions might be forthcoming in the near future. On this basis, he suggested for the next meeting that the Group begin its work with a discussion of whatever new proposals are received, and then continue, as necessary, the discussion on the existing proposals, communications and statements. Thereafter, he felt that the Group should move to a substantive and structured discussion on the broad areas or topics which have emerged from the debate which would ultimately form the framework for the eventual integration of this sector into GATT.

#### Future Meetings of the Groups

14. The Chairman recalled that the next meeting of the Group was scheduled for 14-15 December and the meeting dates for the first quarter of 1990 would be 5-7 February, 5-7 March and 4-6 April.