

**MULTILATERAL TRADE  
NEGOTIATIONS  
THE URUGUAY ROUND**

RESTRICTED

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Special Distribution

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Group of Negotiations on Goods (GATT),

Negotiating Group on Textiles and Clothing

CHAIRMAN'S REPORT

1. In response to the statement by the Chairman of the Trade Negotiations Committee at its last meeting that the GNG would be called upon to consider texts from all Negotiating Groups at its next meeting, I submit, upon my own responsibility, a draft text on textiles and clothing.
2. As stated, the text is submitted on my own responsibility and does not prejudice the negotiating position of any member of the Group. There are many fundamental divergences of opinion within the Group especially the central issue of the modality for the phasing out of MFA restraints and the use of transitional safeguards. The various alternatives set out in the draft reflect this. While many other divergences are highlighted in square brackets the remainder of the text is not necessarily accepted by all.
3. Participants are, of course, free to submit further proposals, suggestions and amendments to the draft.
4. The Chairman's text is attached.

PREAMBLE

1. Having in mind the overall objectives of bringing about further liberalization and expansion of world trade to the benefit of all countries, especially less-developed contracting parties, of improving and strengthening the multilateral trading system based on the principles and rules of the GATT, and of bringing about a wider coverage of world trade under agreed, effective and enforceable multilateral disciplines;
2. Recognizing the great importance of the textile and clothing sector for the economies of many countries and particularly for the economic and social development of many developing countries, and for the expansion of their export earnings;
3. Recognizing also that international trade in textile products is characterized by a number of restrictive practices and measures, and that this trade has been subject, since 1961, to a special set of rules, separate and different from those of the General Agreement, and noting that the current Protocol extending the Arrangement Regarding International Trade in Textiles will expire on 31 July 1991;
4. Recalling that Ministers agreed at Punta del Este that negotiations in the area of textiles and clothing shall aim to formulate modalities that would permit the eventual integration of this sector into GATT on the basis of strengthened GATT rules and disciplines, thereby also contributing to the objective of further liberalization of trade;
5. Recalling also that in the April 1989 TNC Decision it was agreed that the process of integration should commence following the conclusion of the Uruguay Round in 1990, and should be progressive in character. Recalling further that it was agreed that special treatment should be accorded to the least developed countries;
6. Desiring to provide for a multilateral framework, during the transitional period, which would permit the orderly integration of the textile and clothing sector into GATT;
7. [Acknowledging that as a result of the Uruguay Round negotiations, GATT rules and disciplines have been strengthened, so as to form a basis for the integration process to be launched;]
8. Determined to have full regard to the principles and objectives of the General Agreement<sup>1</sup> on Tariffs and Trade and, in carrying out the aims of the present Agreement<sup>1</sup>, effectively to implement the decisions of Ministers taken at the conclusion of the Uruguay Round;

Parties to this Agreement hereby agree as follows:

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<sup>1</sup>This may take the form of a decision by the CONTRACTING PARTIES; the legal form is subject to further discussion.

ARTICLE 1

GENERAL PROVISIONS

1. With a view to achieving the integration of the textiles and clothing sector into GATT, this Agreement sets out provisions to be applied during a transitional period for the phasing out of restrictions under the Multi-fibre Arrangement (MFA) and other restrictions on textiles and clothing not consistent with GATT rules and disciplines, a transitional safeguard mechanism, a surveillance [and verification] mechanism, and relevant procedural aspects. The process of integration shall commence upon the expiry of the 1986 Protocol extending the MFA, as set out in the provisions of this Agreement. [This process would involve measures aimed at reducing and eliminating distortions to trade in textiles and clothing and the application of strengthened GATT rules and disciplines as set out in Article 8.]

2. Nothing in this Agreement shall prevent a party from eliminating restrictions maintained by it with immediate effect or earlier than specifically provided for in this Agreement.

3. Parties shall not interrupt or discourage the continuation of autonomous industrial adjustment processes. Policies applied in this context should encourage businesses which are less competitive internationally to move progressively into more viable lines of production or into other sectors of the economy. They should allow for increased competition in the markets of the parties in order to prepare their industry for the eventual integration of textiles trade into the GATT.

4. The provisions of this Agreement shall not affect the rights and obligations of the parties under the GATT.

5. For the purpose of this Agreement, product coverage comprises textile products<sup>1</sup> enumerated in Annex 1, falling under Section .., Chapters .., of the Harmonized Commodity Description and Coding System.

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<sup>1</sup>Throughout this paper the expression "textile products" refers to "textiles and clothing".

ARTICLE 2

MFA RESTRICTIONS

HEADNOTE BY CHAIRMAN. This Article includes the following alternative options in regard to the phase-out of MFA restrictions, which are linked to corresponding options in regard to the transitional safeguard mechanism in Article 6:

- MFA-based option, providing for phasing out of MFA restrictions and selective invocation of the transitional safeguard within an agreed multilateral framework, without recourse to bilateral agreements.
- Alternative A: MFA-based option providing for the possibility to negotiate bilateral agreements both for the phasing out of MFA restrictions and the selective recourse to the transitional safeguard.
- Alternative B: Global quota option, which does not entail recourse to transitional safeguards.
- Alternative C: Elimination of MFA restrictions on its expiry and:  
(a) selective recourse to transitional safeguard; (b) MFN recourse to transitional safeguard.

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1. With the expiry of the 1986 Protocol extending the MFA on 31 July 1991, all restrictions maintained under the MFA and in place on that date shall, as of [1 August 1991][1 January 1992]<sup>1</sup> be governed by the provisions of this Agreement.

2. All MFA restrictions in force on [31 July 1991][31 December 1991] shall be notified in detail by the parties maintaining such restrictions to the Textiles Monitoring Body<sup>2</sup> (TMB) established under Article 9, which shall [review and] circulate the notifications to the other parties for their information.

3. The restrictions thus notified shall be deemed to constitute the totality of restrictions applied by such parties on [31 July 1991] [31 December 1991] and no new MFA restrictions in terms of products or countries shall be introduced. MFA restrictions which are not notified within sixty days of the commencement of this Agreement shall be terminated forthwith.

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<sup>1</sup>The alternative date of "1 January 1992" pre-supposes the need for a decision by the Group, at a later stage, with respect to the legal cover for MFA restrictions during the intervening period.

<sup>2</sup>This name has been used for the purpose of this text; precise name to be agreed upon.

4. With effect from [1 August 1991][1 January 1992], restrictions on the textile products listed below [see Annex II(a)] shall be eliminated and the products integrated into GATT; with effect from the same date restrictions and restrictive practices listed below [Annex II(b) and (c)] shall also be eliminated.

5. The parties concerned shall notify, within sixty days of the commencement of this Agreement, [details of] the restrictions eliminated under the provisions of paragraph 4 above to the TMB which shall circulate the notifications to the other parties for their information.

6. The remaining restrictions, i.e., the restrictions notified under paragraph 2 above with the exception of those eliminated under paragraph 4, [shall be progressively eliminated and the products affected by these restrictions integrated into GATT in stages in accordance with the provisions of Annex III.][shall be progressively eliminated by x percent of the restrictions annually.]

7. The base levels of the restrictions mentioned in paragraph 6 above, shall be increased [annually][in stages] by the growth rates provided in paragraph 8 until such restrictions are eliminated in accordance with the provisions of paragraph 6.

8. During the life of this Agreement, access under the restrictions in place shall be progressively increased through the application of growth rates in the following manner:

[Year/Stage	1	2	3	-	-	etc.
Growth rate %	-	-	-	-	-	etc.]

(In this respect the following concepts remain to be discussed:

(i) uplift in the base levels by a fixed percentage, not lower than that provided for in previous MFA agreements; and

(ii) additional and differential growth rates for cotton producers whose exports are heavily dependant on cotton products)

9. The flexibility provisions as set out hereunder shall be applicable to all quantitative restrictions under this Agreement including those that are pending progressive elimination under this Article and those introduced under Article 6. [No quantitative limits shall be placed on the combined uses of swing, carryover and carry forward.]

[Year/Stage	1	2	3	-	-	etc.
Swing	-	-	-	-	-	
Carryover	-	-	-	-	-	
Carry forward	-	-	-	-	-	]

(The questions of: progressive rates of flexibility; improved fixed rates for flexibility; and flexibility rates being not lower than those provided for in previous MFA agreements ..... remain to be discussed).

10. The TMB shall, at the request of any party, review any particular restriction which in the view of that party should have been eliminated under the provisions of this Article but which has not been so eliminated. It shall make appropriate recommendations within sixty days to the party or parties concerned after inviting the participation of such parties. It shall also report to the [Textiles Committee] [GATT Council] if its recommendations are not accepted within [sixty days]. The TMB shall keep under review the implementation of this Article.

ALTERNATIVE A:

[The remaining restrictions, i.e., the restrictions notified under paragraph 2 above with the exception of those eliminated under paragraph 4, shall be progressively eliminated in stages in accordance with the provisions of Annex III.<sup>1</sup> but would remain subject to the transitional safeguard set out in Article 6 of this Agreement.

For the implementation of this Agreement parties may conclude bilateral agreements. Such agreements shall be limited to products and countries currently under restraint. They shall incorporate the necessary modifications laid down in this Agreement. These bilateral agreements shall expire, at the latest, on the final date of the transition period.

These agreements shall provide for:

- differential growth rates in relation to the sensitivity of the products, or to the size of the quota/exporter;
- improved growth rates relative to existing ones which shall be meaningful in the context of achieving the aim of the integration;
- [additional and differential growth rates for certain types of exporters];
- a guaranteed growth rate of (...)% to apply in cases where exceptional circumstances are invoked.

Flexibility provisions shall be improved in the bilateral agreements relative to existing ones.]

(These paragraphs are an alternative to paragraphs 7 to 9 of this Article).

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<sup>1</sup>Alternative A of Annex III.

ALTERNATIVE B

[ Textile products, other than those integrated immediately into GATT, shall be subject to global quotas, established on a product category basis, covering all imports in that category.

Categories subject to global quotas will be divided between individual country guarantees and a global basket. The guarantees will be available to suppliers previously subject to the MFA quotas established by the importing country in that category; the global basket will be open to competition from all suppliers.

Country guarantees will be administered by the exporting country; the global basket will be administered by the importing country.

The levels of both the comprehensive quantitative limits and the country guarantees would be based on the average of the last three years trade (1987 through 1989), [country guarantees would be based on existing quotas]. A country guarantee will not, however, exceed 15 per cent of the comprehensive quantitative limit of the concerned category. The comprehensive limit would be increased by a multilaterally negotiated amount [and will increased progressively over the course of the transition period].

Individual country allocations will be fully tradeable among exporting countries.

Country allocations will remain constant for the duration of the transition period. The multilaterally-agreed growth rates, based on the total quota levels, would be applicable to the global basket for each category.]

(differential growth rates in relation to the sensitivity of the products, or to the size of the quota/exporter... remain to be discussed)

(These paragraphs are an alternative to paragraphs 6 to 10 of this Article.)

ALTERNATIVE C

[Upon the expiry of the MFA on 31 July 1991, as of [1 August 1991] [1 January 1992], [all] [MFA] restrictions on textile products shall be terminated and recourse shall be available to transitional safeguards in Article 6: (a) on a selective basis (main text of Article 6); (b) on an MFN basis (Alternative C to Article 6).]

(This paragraph is an alternative to paragraphs 1-3 and 6, 7 and 10 of this Article.)

ARTICLE 3

OTHER RESTRICTIONS ON TEXTILES AND CLOTHING NOT CONSISTENT WITH GATT

1. All restrictions on textile products (other than those maintained under the MFA and covered by the provisions of Article 2, above), which are not consistent with GATT rules and disciplines, shall be notified in detail by the parties applying the restrictions at the commencement of this Agreement, to the TMB. Restrictions which are not notified within sixty days of the commencement of this Agreement shall be terminated forthwith.
2. Restrictions notified under paragraph 1 above, shall be phased out in accordance with [agreed procedures].

ARTICLE 4

ADMINISTRATION OF RESTRICTIONS

1. Restrictions referred to in Article 2 shall be administered by [the exporting parties] [the restraining parties]. Introduction of changes such as changes in product categorization and rules of origin which have the effect of increasing the restrictiveness of restrictions in place under this Agreement or undermining the objective of the process of integration, shall be avoided. [Changes in the product categorisation prevailing in the restraining parties on 1 January 1990 may only be made with the approval of the TMB.]

(Procedures for dealing with transshipment, circumvention, spacing of shipments, and other administrative procedures ..... yet to be discussed)

ARTICLE 5<sup>1</sup>

EMERGENCY ACTION ON IMPORTS OF PARTICULAR PRODUCTS

1. [The parties note that when particular textile products, which are not under quantitative restrictions from any source at the commencement of this Agreement or which have been liberalized from all quantitative restrictions during the phase-out period in accordance with Article 2, paragraphs 4 and 6 above, are being imported in such increased quantities and under such conditions as to cause or threaten serious injury to domestic producers, an importing party may take emergency action in regard to the imports of such products on an MFN basis, in accordance with Article XIX of the General Agreement, following the normal GATT procedures.]

2. [An emergency action shall not be taken in respect of a particular product during a period of two years following the date of removal of all quantitative restrictions on that product in accordance with the programme of progressive elimination of restrictions in Article 2.]

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<sup>1</sup>This is linked to the first MFA-based option referred to in the Chairman's headnote in Article 2.

ARTICLE 6

SAFEGUARD MECHANISM DURING THE TRANSITION PERIOD

HEADNOTE BY CHAIRMAN: Reference is made to the headnote in Article 2.

- Alternative A to paragraphs 3 and 4 of this Article is specifically linked to Alternative A referred to in the Headnote to Article 2.
- Alternative B, global quotas option, in Article 2, does not entail recourse to the transitional safeguard in this Article.
- Likewise, Alternative C is specifically linked to Alternative C referred to in the headnote to Article 2; the elements in this Alternative relating to the selective recourse to safeguard are incorporated in the main text of this Article.
- The rest of the text in this Article embodies references to concepts such as serious injury/serious damage, etc. which reflect views of more than one group of participants.

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1. Parties to this Agreement recognise that it may be necessary to apply during the transition period a specific transitional safeguard mechanism (hereinafter referred to as the "transitional safeguard") to ensure the orderly [implementation of the integration process] [development of trade], [to avoid the disruption of markets and to allow the restructuring of the industry to continue]. The transitional safeguard may be applied in respect of textile products [whose imports from certain sources are already under restraint] [which are covered by Annex I, other than those integrated into GATT in accordance with Article 2, paragraph 4]. [Recourse to the transitional safeguard shall be equally available to all parties].

2. The transitional safeguard should only be resorted to sparingly [and its application should be limited, on the basis of the criteria set out in this Article, to precise products and to particular sources.]

3. Parties may take safeguard action under this Article when a sharp and substantial increase [or imminent increase] in imports of a particular product covered by paragraph 1 above, takes place from another party [or parties] and such increased imports [cause or threaten serious injury to its domestic producers] [cause a situation of "market disruption" the determination of which is based on the existence of serious damage to

domestic producers or actual<sup>1</sup> threat thereof]. [Prices of imports will/will not be taken into account].<sup>1</sup>

4. The existence or threat of [serious injury][serious damage] shall be determined on the basis of an examination and objective assessment of the appropriate indicators having a bearing on the state of the industry in question such as: output, employment, export performance, inventories, productivity, profits, return on investment, sales, utilization of capacity and wages. No one or several of these factors can necessarily give decisive guidance. [In particular, specific levels of any of these indicators [or other factors such as [market share] shall not be considered as a decisive factor for the determination of [serious injury][serious damage]. The existence or threat of [serious injury][serious damage] must demonstrably be caused by a sharp and substantial increase in imports from a particular source [or sources] and not by factors such as technological changes, changes in market demand or changes in consumer preference. The existence or threat of [serious injury] [serious damage] shall be determined on the basis of fact and not merely on the basis of allegation, conjecture or remote possibility. [These transitional safeguard measures can be used only if quantitative and objective criteria are met, e.g., decline in domestic production, increase of the ratio of imports to domestic production, and that the actual figures for such a decline in domestic production or for the increase of the import-to-production ratio are above a predetermined level. Other relevant factors shall also be taken into consideration to determine the existence of market disruption. Such criteria shall become increasingly stringent year-by-year.]

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<sup>1</sup>This also applies to other paragraphs in this Article, where relevant.

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ALTERNATIVE A<sup>1</sup>  
(to paragraphs 3 and 4)

Parties may take safeguard action under this Article when a sharp and substantial increase [or imminent increase] in imports of a particular product, at prices substantially below those prevailing in the importing country, covered by paragraph 1 above, takes place from another party [or parties] and such increased imports cause a situation of market disruption or real risk thereof.

The existence or threat of market disruption or real risk thereof shall be determined on the basis of an examination and objective assessment of the appropriate indicators having a bearing on the state of the industry in question such as: turnover, market share, export performance, employment, volume of disruptive and other imports, production, utilization of capacity, productivity and investments. No one or several of these factors can necessarily give decisive guidance. The existence or threat of market disruption or real risk thereof must demonstrably be caused by a sharp and substantial increase in imports from a particular source [or sources] at prices substantially below those prevailing in the importing country, and not by factors such as technological changes, changes in market demand or changes in consumer preference.

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5. In the application of the transitional safeguard under this Article account shall be taken of the interests of the exporting party, specially in regard to its stage of development, the importance of the textile sector to its economy and the overall situation of its balance of payments, including the trade balance with the restraining party.

6. [A party shall not be subject to quantitative restrictions if any other party with an equal or a larger market share in the product is not under restriction.] [A party should not, in principle, be subject to restraints if the transitional safeguard is not applied to any other party that has a larger market share, higher import growth rate and lower import price in a particular restraining party.] [Parties to this Agreement shall take into account imports from all parties and shall seek to preserve a proper measure of equity. They shall endeavour to avoid discriminatory measures where such [serious injury] [serious damage] or a threat thereof is caused by imports from more than one party.]

7. If a party has determined that its domestic producers are facing [serious injury][serious damage] or a threat thereof by a sharp and substantial increase in the imports of a particular product, it shall seek consultations with the party or parties concerned. Its request for consultations shall be accompanied by up-to-date, specific and relevant factual information, particularly in respect of the factors set out in

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<sup>1</sup>See the Chairman's headnote to this Article.

paragraph 4 on which it has based its determination of the existence of [serious injury] [serious damage] or threat thereof. The restraining party may also indicate therein the specific level at which it considers that exports of such product should be restrained, a level which shall not be lower than the level indicated in paragraph 8 below. Simultaneously, it shall communicate this request, along with the factual information, to the TMB. The party or parties shall respond [promptly] [within a period of X days] to such a request for consultations.

8. If, in the consultations, there is mutual understanding that the situation calls for restrictions on trade in the textile product concerned, the level of restrictions shall be fixed at a level not lower than the level of actual exports or imports during the twelve-month period terminating two months preceding the month in which the request for consultations is made, [or the average of actual exports or imports during the past [X] years preceding the year in which the request for consultations is made, whichever is the higher]. Details of the agreement reached shall be communicated to the TMB which shall determine whether the agreement is justified in accordance with the provisions of this Article and, depending upon its findings, make appropriate recommendations to the parties concerned.

9. If, however, after a period of sixty days from the date on which the request has been received by the exporting party, there has been no agreement between the parties, the matter may be brought to the attention of the TMB. It will be open for either party to refer the matter to the TMB even before the expiry of sixty days. In either case, the TMB shall promptly conduct the examination of the matter and make appropriate recommendations to the parties concerned within thirty days from the date of such reference. [In the case where a party concerned fails to comply with the recommendation of the TMB, the other party or parties concerned may refer the matter to the GATT Council for authorization to invoke procedures contained in Article XXIII of the GATT.]

(The situation in the absence of agreement ... to be discussed).

10. [When invoking the transitional safeguard, the restraining party should submit data to the TMB for an appraisal of whether or not the imports in question satisfy the criteria to invoke such measures. If the submitted data are found not to fulfil the objective criteria, it should be considered that there is no market disruption and a transitional safeguard cannot be invoked. If necessary data are not available with respect to a particular product, a transitional safeguard shall not be invoked against such a product. The TMB should notify its findings to the parties concerned within a reasonable and specified period of time.]. [Any transitional safeguard measures could only be implemented following approval of the TMB, its decision being binding.]

(Possibility for action prior to the TMB's decision, recourse in case of non compliance with TMB recommendations ... to be discussed)

11. Measures taken under this Article may be introduced for a limited period not exceeding [one] [three] year(s). If, in the view of the restraining party, there is a need to continue with a measure beyond [one] [three] year(s), it shall produce evidence in terms of paragraph 4 and

justify before the TMB the need for the continuation. The TMB shall examine the matter and make appropriate recommendations to the parties concerned within thirty days. Should the continuation be decided upon, the base level of the quantitative restriction shall be increased by the applicable growth rate.

12. [The transitional safeguard taken under this Article shall also be eliminated in accordance with the programme of progressive elimination contained in Article 2, paragraph 6]

13. [The application of this transitional safeguard should not impair the phase-out process for restrictions on textile products]

(... precise provision to be discussed.)

14. [Should a restriction that has been removed be re-introduced, its level shall not be less than the previous restraint level as increased by the applicable growth rates during the intervening period.]

15. [The transitional safeguard under this Article shall not be applied to products of [the least-developed countries] and [those supplying parties with a de minimis share of 1 per cent or less in total imports into a given market during the preceding three years] [new entrants, small suppliers].]

ALTERNATIVE PROPOSAL (C)<sup>1</sup>

[If, on the basis of an objective examination by the competent national authorities, it is established that imports of textiles and textile products are causing serious damage, or a real risk thereof to the domestic producers of like or directly competitive products, parties shall be free to invoke the transitional safeguard mechanism and apply quantitative restrictions on imports of these goods.

In conducting an investigation into serious damage, or real risk thereof, to the domestic industry, national authorities shall:

- (a) determine whether, in actual or relative terms, there has been a sharp and substantial increase or imminent increase in imports of like or directly competitive products; and
- (b) examine the effect of those imports on such relevant economic variables as output, productivity, utilization of capacity, inventories, market share, exports, wages, employment, domestic prices, profits and investment; none of which either alone or combined with other factors can necessarily give decisive guidance.

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<sup>1</sup>This is an alternative to paragraphs 4-15. See also the Chairman's headnote to this Article.

Serious damage or real risk thereof must result from a sharp and substantial increase or imminent increase in imports and not from other factors such as technological changes, changes in market demand or changes in consumer preference.

Any measure invoked pursuant to this Article shall be taken on an MFN basis and shall remain in place: (a) for such time as may be necessary to prevent or remedy serious damage, or (b) until the product is removed from the scope of this Agreement, whichever comes first.

A party proposing to apply a transitional measure shall provide adequate opportunity for prior consultations with those parties which would be affected by such a measure, with a view, inter alia, to exchange views on the measure proposed. Such consultations would be held immediately and normally be completed within 90 days from the date of notification.

In highly unusual and critical circumstances, where delay would cause damage which would be difficult to repair, action under paragraph 4 of this Article may be taken provisionally on the condition that consultation shall be effected immediately after taking of the action.

If agreement among the interested parties with respect to the action proposed or taken is not reached, the party which proposes to take or continue the action shall, nevertheless, be free to do so and if such action is taken or continued, the affected party shall then be free to avail itself of the dispute settlement provisions of the General Agreement.]

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[The safeguard measures under this Article shall not be applied to products of the least-developed countries] and [those supplying parties with a de minimis share of 1 per cent or less in total imports in a given market during the preceding three years] [new entrants, small suppliers]].

ARTICLE 7

ADDITIONAL TRADE MEASURES

1. [Without prejudice to the provisions of Article 1, paragraph 4, parties [maintaining restrictions] under this Agreement shall refrain from taking additional trade measures which may have the effect of nullifying the objective of this Agreement or impairing the liberalization process. [Parties maintaining restrictions shall not levy anti-dumping or countervailing duties during the transitional period on textile products covered by this Agreement].

ARTICLE 8

STRENGTHENED GATT RULES AND DISCIPLINES

[During the integration process, the phasing out of restrictions shall be accompanied by appropriate actions by all participants so as to ensure that:

- (a) the reduction of tariffs and the levels of duties to be bound shall allow for effective and lasting import opportunities;
- (b) administrative procedures and practices of an excessive, discriminatory or discretionary nature concerning customs and administrative formalities, licensing, prior import deposits, charges, and non-transparent systems for issuing foreign exchange shall be eliminated;
- (c) measures likely to distort competition such as, inter alia, artificially-created price differences between raw materials for local production and those for export shall be eliminated;
- (d) trade in textiles shall take place under fair commercial conditions. To this end, participants shall, within the limits of their powers and administrative competence:
  - actively discourage dumping practices by their industries, including those based on input materials at dumped prices;
  - ensure that subsidies, to the extent that they are admissible under the GATT, would not impair the integration process;
  - take all necessary legislative and administrative measures so as to ensure that infringement and counterfeiting of registered trademarks, designs and models shall be eliminated.]

ARTICLE 9

TEXTILES MONITORING BODY

1. [There shall be established by the CONTRACTING PARTIES a Textiles Monitoring Body (herein referred to as the TMB) to take the actions required of it in the Articles of this Agreement and to supervise the implementation of this Agreement [and to verify that all measures taken under its provisions are in conformity therewith]. The TMB shall consist of a Chairman and ... members, to be appointed by .... Its membership shall be balanced and broadly representative of the parties and shall provide for rotation of [all] its members at appropriate intervals.]
2. [The TMB shall be considered as a standing body and shall meet as often as necessary to carry out the functions required of it under this Agreement. It shall rely on notifications supplied by the parties, supplemented by any additional information or necessary details it may decide to seek from them or from other sources. [As regards its obligations in respect of strengthened GATT rules and disciplines, it may also rely on notifications to and reports from other GATT committees and bodies and from any other sources it may deem appropriate, to the extent that they are relevant to the textiles sector.] The TMB will develop its own working procedures.]
3. [Parties shall notify to the TMB, at the commencement of this Agreement, all restrictions maintained on any textile product, along with their GATT justifications whenever applicable. The parties shall also notify to the TMB all measures taken during the transitional period which have a bearing on the implementation of this Agreement. It shall be open to any party to make reverse notifications to the TMB in regard to any such restrictions or measures].
4. [Notifications under paragraph 3 shall include all laws, regulations and administrative measures taken by the participants during the transition period which affect directly or indirectly the implementation of this Agreement especially with regard to the phasing-out of quantitative restrictions, the elimination of trade-distorting measures and of any other measures taken in order to comply with GATT rules and disciplines. To the extent that such laws, regulations and administrative measures have been notified to other GATT committees, a substantive summary with reference to the original notification shall be sufficient to fulfil the obligations under this paragraph].
5. In any dispute regarding the implementation of the provisions of this Agreement, the TMB, at the request of any party to the dispute, and following a prompt and thorough consideration of the matter, shall make recommendations to the parties concerned. [In dispute cases concerning strengthened GATT rules and disciplines, the TMB would have to take into account the notifications and reports of other GATT committees.]
6. The TMB shall, at the request of any party, review promptly any particular measure which that party considers to be detrimental to its interests. The TMB shall make appropriate recommendations to the parties concerned.

7. Before formulating its recommendations, the TMB shall invite participation of such parties to this Agreement as may be directly affected by the matter in question.

8. The TMB shall make recommendations, whenever it is called upon to do so, preferably within a period of thirty days, unless a different time period is specified. All such findings and recommendations shall be communicated to the [Textiles Committee]<sup>1</sup> [and to the GATT Council].

9. The parties to this Agreement shall [endeavour to] accept in full the recommendations of the TMB which shall exercise proper surveillance over the implementation of such recommendations.

10. [If, however, following the recommendations by the TMB, problems continue to exist between the parties concerned, these may be brought before the [Textiles Committee] [and the GATT Council for authorization to invoke procedures contained in Article XXIII of the GATT]. ]

11. [In case of non-acceptance or inability to conform with a recommendation by the TMB, full and adequate justification shall be presented to the TMB by the party or parties involved, not later than one month after receipt of such recommendation. Following thorough consideration of the justification given, the TMB may either issue a further recommendation or bring the dispute before the Textiles Committee, accompanied by any recommendation it considers appropriate for the settlement of the dispute.]

12. [With regard to any dispute under this Article or any problem arising from the application of this Article, the Textiles Committee may authorize, wherever appropriate, a party to take provisional measures, pending the final settlement of the matter. Parties may in exceptional circumstances take provisional measures pending the Textiles Committee's decision as to such authorization.

13. The TMB shall review annually the implementation of this Agreement and report its findings to the [Textiles Committee] [GATT Council]. ]

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<sup>1</sup>See Article 9(bis).

**ARTICLE 9 (BIS)**

**[VERIFICATION AND SURVEILLANCE COMMITTEE]**

1. [A Committee on trade in textile and clothing products shall be established, composed of representatives of all parties to this Agreement (hereinafter referred to as "the Textiles Committee"). It shall meet as necessary, but not less than once a year, for the purpose of examining any matter referred to it by the TMB, and to discharge its responsibilities and tasks as assigned to it under this Agreement, or necessary for achieving the objectives of this Agreement.

2. The Textiles Committee shall meet not later than three months before the end of each transition stage for the purpose of conducting a comprehensive examination, on the basis of a detailed report and, if appropriate, recommendations by the TMB, of the progress in the implementation of this Agreement during the stage under review. For this purpose, it shall verify whether the participants have fulfilled their commitments under this Agreement with regard to the liberalization process and to the elimination of trade distorting measures in compliance with GATT rules and disciplines.

3. In conformity with the provisions of this Agreement the Textiles Committee, at the meeting referred to in paragraph 1, shall endorse the transition to the next stage. In conformity with paragraph 4 below, it shall lay down, if necessary, the conditions and terms under which this transition should take place with regard to one or more parties and with respect to one or more products under this Agreement. In laying down these conditions and terms the Committee shall, on the basis of a recommendation by the TMB, ensure a continuing balance of mutual advantages with regard to the implementation of the provisions and the objectives of this Agreement, in a manner which observes proportionality. Such conditions and terms may consist of any measure deemed to be appropriate in order to achieve the objectives of this Agreement by the final date set out in Article 10 of this Agreement.

4. If one or more parties so wish, it shall present to the TMB for the purpose of paragraph 3 above, not later than 6 months before the meeting referred to in paragraph 1, a detailed, factual and reasoned statement substantiating the alleged non-respect of commitments under this Agreement. With respect to a matter covered by other instruments multilaterally negotiated under the auspices of the GATT, the TMB shall rely on the findings and recommendations, where available, of the relevant committees and bodies in order to issue its recommendation to the Committee. Before formulating its recommendations, the TMB shall invite participation of such parties to this Agreement as may be directly affected by the matter under review.]

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ALTERNATIVE PROPOSAL (C) FOR ARTICLES 9 AND 9(BIS)<sup>1</sup>

[Surveillance of the integration process as well as the settlement of disputes arising during the transitional period should be carried out under the general rules and procedures of the GATT and not by a separate mechanism.]

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<sup>1</sup>See also Alternative C in Articles 2 and 6.

ARTICLE 10

TIME SPAN

1. This Agreement shall enter into force on [1 August 1991] [1 January 1992], and terminate on ..... when trade in textiles and clothing shall be integrated into GATT.

ARTICLE 11

FINAL PROVISIONS

(To be discussed)

ANNEX I

PRODUCT COVERAGE

(According to the Harmonised Commodity Description and Code System)

[Products falling under Section 11, Chapters 50 to 63 of the Harmonised System.]

[NOTE: Products falling under Section 11, Chapters 50-63 include fibres which are not textile products and which should be excluded].

\* \* \* \* \*

[All textiles and clothing products covered in Section 11, Chapters 50-63 of the Harmonized Code plus textile products from the following chapters: 39, 42, 64, 65, 70, 94 and 96.]

\* \* \* \* \*

[Textile products covered by the MFA and the 1986 Protocol of Extension].

ANNEX II

Restrictions/Restrictive Practices to be Eliminated with Effect from

[1 August 1991] [1 January 1992]

A. Products to be immediately integrated into GATT

1. [Textile products made of vegetable fibres; blends of vegetable fibres with cotton, man-made fibres and/or wool; and blends containing silk in which any or all of the vegetable fibres and/or silk in combination represent either the chief value of the fibres or 50 per cent or more by weight of the products;
2. Developing country exports of hand-loom fabrics or traditional folklore handicraft textile products;
3. Products other than those included in Section XI (heading 50-63) of the International Convention on the Harmonised Commodity Description and Coding system;
4. Children's clothing up to [size 164];
5. Textile products which are not produced [or which are produced in insignificant quantities] by the domestic producers of the importing parties;
6. All categories [and sub-categories] under specific limits which represents less than X% of the total import of such categories [or sub-categories] in the importing countries will be removed from such specific limits. Safeguards measures may be instituted on these categories or sub-categories if the situation warrants.]

B. Restrictions with respect to certain suppliers to be eliminated

1. [Restrictions on textile and clothing exports of suppliers having a de minimis share of 1 per cent or less of total textile and clothing imports in a given market;
2. Restrictions on the least developed countries.]

C. Restrictive practices to be eliminated

1. [(a) Restrictions at aggregate level on imports of all textile products from a particular source;
2. Restrictions at aggregate level on imports of a group of textile products from a particular source;
3. Restrictions on re-imports into a party's territory of textile products which that party has exported to another party's territory for processing, including restrictions described as "special régime",

"guaranteed access levels" "outward processing trade" quotas, imports under TSUSA 807 and 807 A and other similar restrictions;

4. Subdivisions of quantitative restrictions among the member states of a customs union.]

ANNEX III

Programme for Progressive Staged Elimination of Restrictions

[The quantitative restrictions remaining on particular products shall be progressively eliminated in four stages. Each importing party shall eliminate the restrictions on textile products described in Section XI of the Harmonised Commodity Description and Coding System in the respective stages in the manner enumerated below. The duration of stages I and II shall be two years each, and that of III and IV one year each.]

TOPS AND YARNS in Stage I including:

Headings 51.05-51.10; 52.04-52.07; 55.06-55.11.

FABRICS in Stage II including:

Headings 51.11-51.13; 52.08-52.12; 52.07; 54.08; 55.12-55.16;  
Chapter 58: headings 59.01-59.06; 59.11; and Chapter 60.

MADE UPS in Stage III including:

Chapter 56; 57; headings 59.07-59.10; Chapter 63.

CLOTHING in Stage IV including:

Chapters 61 and 62. ]

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ALTERNATIVE A

[The agreed transition programme would determine a liberalisation target for each stage consisting of XZ of the volume of restraint levels. In order to comply with this target, parties could choose amongst the following: phasing out by fibre and/or by product and/or by country and/or by the liberalisation of certain types of trade.]

\* \* \* \* \*