

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

MTN.GNG/NG4/23
30 July 1990

Special Distribution

Group of Negotiations on Goods (GATT)

Negotiating Group on Textiles and Clothing

MEETING OF 10, 12 AND 13 JULY 1990

Note by the Secretariat

1. The draft agenda, set out in GATT/AIR/3034 dated 28 June 1990 was adopted.

Introduction

2. The Chairman referred the Group to document MTN.GNG/NG4/22, a note by the Secretariat containing the main points raised at the last meeting. He also drew attention to document MTN.GNG/NG4/W/55, a communication provided to all market access groups by Brazil, relating to their initial tariff offer.

Agenda Item A: Continuation of Substantive Negotiations on Modalities for the Integration of the Textiles and Clothing Sector into GATT

3. The Chairman noted that the main item on the agenda for this meeting, pursuant to the Group's work programme, was the completion of work on a draft framework agreement. He said that, to this end, informal consultations had been undertaken in the past weeks and were continuing at the present time.

4. Subsequently, at the conclusion of his informal consultations, the Chairman put before the Group a draft text (later circulated in MTN.GNG/NG4/W/56/Rev.1) which, he stressed, was prepared on his own responsibility, had no legal status and did not prejudice the negotiating positions of any participants. He also pointed out that the absence of square brackets in certain parts of the text did not imply agreement on the issues in question. He presented the text as being an adequate basis from which participants could progress the negotiations within the Group.

5. Providing general comments on the Chairman's draft text, a number of participants expressed concern that it could not be considered as an adequate basis for further negotiations nor did it fulfil the requirements of a draft framework agreement. Furthermore, the text could not be considered as a profile of such an agreement in view of the many unresolved, fundamental differences in the positions of participants which it reflected. In particular, it was considered that a decision as to the basic modality for the integration of the textiles sector into GATT would be required before a framework agreement could be developed. In addition, some participants observed that certain portions of their proposals had been modified in the text or had not been fully reflected. The text also set out certain elements which, in the view of some participants, had not

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yet been fully elaborated by their proponents. In this regard, the hope was expressed that such elaborations would be provided without delay. Some other participants, however, considered the text useful in that it delineated the respective positions of a number of participants. The text, in their view, could serve as a starting point for the Group's future negotiations and they indicated their willingness to continue to work on this basis.

6. Referring to specific issues, a number of participants said that the agreement to be achieved in this Group must reflect the special needs of the small suppliers and that specific provisions for expanded market access for them should be included. In this regard, it was suggested that small suppliers should have the possibility of guaranteed minimum growth before having to face restrictions. Reference was also made to the importance of liberalizing outward processing trade (OPT) in view of its considerable importance to small and new exporting countries.

7. As regards other aspects of the draft text, several participants expressed serious concern and reservation with the concept of verification and pointed out that the provisions relating to such a process, in Article 9(bis), could have the effect of impairing any multilaterally-agreed process of integration. The view was also expressed that the proposals relating to bilateral agreements in Article 2, Alternative A, could have the effect of perpetuating the current MFA during the entire phase-out period and would be a serious impediment to the overall process of liberalization. As regards the transitional safeguard mechanism, it was emphasized that recourse to these procedures should be limited to emergency situations and that the possibility of applying a safeguard mechanism to products liberalized during the integration process would undermine the programme for the elimination of restrictions agreed in the negotiations.

8. At the conclusion of the discussion, the Chairman said that the draft text, with the amendments he had made pursuant to the discussions in his introductory note, would go forward to the GNG/TNC.

Technical Sub-Group

9. The Chairman also drew attention to the fact that there would be some technical issues which would need to be examined in the future negotiations. To facilitate this process, he suggested, and the Group agreed, to set up a technical sub-group, the membership of which would be open to all participants. It was decided that, the technical sub-group would examine the question of product coverage within the parameters set out in Annex 1 of document MTN.GNG/NG4/W/56/Rev.1 and would prepare a list indicating the product coverage for the agreement. The sub-group would meet in September, in advance of the Group's next meeting, and would, if possible, report its findings through him to the Group at that meeting.

Future Meetings

10. The next meeting of the Group is scheduled to be held from 24 to 26 September 1990.