

**MULTILATERAL TRADE  
NEGOTIATIONS  
THE URUGUAY ROUND**

RESTRICTED

MTN.GNG/NG4/25  
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Group of Negotiations on Goods (GATT)

Negotiating Group on Textiles and Clothing

MEETINGS OF 15 OCTOBER, 5 AND 17 NOVEMBER 1990

Note by the Secretariat

1. The draft agenda, set out in GATT/AIR/3119, dated 9 October 1990, was adopted.

Introduction

2. The Chairman referred the Group to document MTN.GNG/NG4/24, a note by the Secretariat containing the main points raised at the last meeting.

3. At the meeting on 15 October, the Chairman advised the Group that he would be continuing intensive informal consultations on an on-going basis and would be convening formal meetings, as appropriate, during the upcoming period. He said that, with a view to preparing a further Chairman's text, negotiations should continue to focus on the major areas under discussion; namely, the programme for the implementation of an MFA-based phase out; a transitional safeguard mechanism; strengthened GATT rules and disciplines and the verification mechanism; as well as other areas previously touched upon and those not yet addressed. Participants endorsed the Chairman's suggested approaches to the work.

4. Following further informal consultations, the Group met again on 5 November at which time the Chairman put before it a new text in MTN.GNG/NG4/W/62. In so doing, he pointed out that there remained a number of issues to be settled, some of which were of fundamental importance. Stressing that the final date for the Group's work would be 16 November, he said that he was intensifying the process of informal consultations with a view to achieving the Group's objective by that date.

5. A number of participants commented on the situation in the negotiations at that point. It was emphasized that participants should work towards advancing the processes of both integration and liberalization of textiles trade simultaneously, while bearing in mind the importance, in this regard, of strengthening GATT rules. Some participants noted the need to provide preferential treatment in the Agreement for LLDC's, new entrants, small suppliers and cotton- and wool-producing countries as well as for OPT. Others stressed the importance of developing adequate notification procedures and provisions relating to fraud and circumvention. Several participants said that they were prepared to continue the

negotiations on the basis of the new text as a working hypothesis while not, however, prejudicing their own negotiating positions.

6. Following continuous, intensive consultations, the Chairman re-convened the Group on 17 November at which time he provided a revised draft text (subsequently circulated in MTN.GNG/NG4/W/68). He pointed out that this draft text of an agreement for the integration of the textiles and clothing sector into GATT, submitted on his own responsibility, was going forward as the basis upon which negotiations could be finalized at a higher level. He noted that divergences of opinion remained within the Group and pointed out that these could be pursued at that level.

7. A number of participants welcomed the Chairman's text, describing it as a basis for the further work towards reaching an agreement for the integration of the textiles sector into GATT. It was, however, described as a "fragile package", with some very important areas remaining to be finalized. Specific reference was made to the percentage figures contained in Article 2, paragraphs 4 and 6, for the integration of products into GATT at the outset and in the various stages, as well as paragraph 10 for the growth rates to be applied to the products remaining under restraint. Some participants considered the figures to be unsatisfactory and expressed concern that these figures, under which less than half of the products covered by this agreement would be integrated into GATT during the transition period, in conjunction with the growth rates as proposed, would not contribute to a credible integration process nor remove the element of uncertainty as to the possibility of achieving final integration. Some participants suggested that the range of products for integration into GATT, as mentioned in Article 2.4 and 2.6 should be more specific and provide for the integration of X per cent of each of the four groups of products in Annex IV. In respect of Article 2, some other participants suggested the deletion of certain provisions, including the proposed uplifts in base levels (2.9), minimum growth rates (2.10), lists of specific products and practices for elimination (2.4) and that emergency actions should not be taken for two years after the removal of quantitative restrictions on particular products (2.15).

8. Some participants also drew attention to the product coverage set out in Annex II and suggested that certain items should be excluded, particularly cotton products under HS 520300, certain staple fibres in Chapter 55, certain jute products in Chapter 53, hand-knotted carpets, Kelems and floor coverings in Chapter 57, as well as products outside Chapters 50 - 63.

9. As regards the safeguard provisions in Article 6, concern was expressed by some participants that the need to accommodate the various categories of suppliers requiring special treatment would diminish the effectiveness of this Article and render it less viable and predictable. Others, however, stressed the importance of recognising the special needs of these suppliers in the application of the transitional safeguard and providing more favourable provisions that the differential treatment accorded under the MFA. It was also maintained that the last sentence of Article 6.4 concerning the possibility of applying restraints to a party

when another party with a larger market share is not restrained, which some had proposed be deleted, should be retained; that the provision in that paragraph relating to an "imminent" increase in imports should be reconsidered; that the level of restraints referred to in Article 6.8 should be established on the basis of imports or exports in the first twelve of the past fourteen months rather than the average of the last three years; and that the duration of safeguard actions in Article 6.12 should be one year with possible extension for a maximum of two years.

10. With reference to the bracketted provisions in Article 5.4, one participant pointed to the importance of maintaining the wording that due regard should be given to the involvement of the country of true origin. Some other participants expressed a preference for the provision in this paragraph that action could be taken "after" consultation rather than "as agreed in" consultations.

11. As regards Article 8 and 9, some participants stressed the importance of these provisions, as a key integral part of the integration process, and particularly emphasised Article 9.11 which provides for the possible adjustment of the provisions of the Agreement relating to the process of integration in regard to any party found not to be complying with its obligations. Others pointed to the need for balance in the provisions of these Articles, with the special needs of the developing countries being recognised. Some expressed deep concern at the possibility of the multilaterally-agreed provisions of the Agreement being adjusted through the operation of a review process.

12. It was stated that those participants which are not members of the MFA, and which had, in the past, relied only on GATT-consistent measures, should not now have to move away from GATT rules by undertaking commitments in the context of this Agreement involving a safeguard procedure other than Article XIX.

13. In concluding the work of the Negotiating Group, the Chairman expressed his deep appreciation for the efforts made and cooperation extended by all participants, over the past four years and, particularly, in developing the current text.