

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

COM.TEX/W/44

24 July 1977

Special Distribution

---

Textiles Committee

## Paper Circulated at the Request of the United States

1. The participants in the Arrangement exchanged views regarding the future of the MFA.
2. It is clear from the annual and major reviews of the MFA undertaken by the Textiles Committee that certain importing and several exporting countries have encountered practical difficulties in the implementation of the provisions of the MFA. Discussions in this respect covered a wide range of areas of satisfaction as well as dissatisfaction. These difficulties, some of which are of a long standing nature, affect seriously the trade and economic development of developing countries.
3. Members of the Textiles Committee recognized that there continued to be a tendency for an unsatisfactory situation to exist in world trade in textile products, and that such a situation, if not satisfactorily dealt with, could work to the detriment of countries participating in international trade in textile products, whether as importers or exporters or both. It could adversely affect prospects for international co-operation in the trade field and could have unfortunate repercussions on trade relations in general, and the trade of developing countries in particular.
4. Some participating countries, importing as well as exporting, felt that there was a need for modifications to be made to the text of the MFA. Others were of the opinion that any difficulties that may have arisen were due to problems of implementation, and that the provisions of the MFA are adequate to deal with such difficulties. It was agreed that any serious problems of textile trade should be resolved through consultations and negotiations.

5. As regards what was described by one major I.P. in its statement to this Committee as its pressing import problems, the T.C. recognized that such problems should be resolved bilaterally under the provisions of Article 4 or 3(3) and 3(4).

The Committee noted one major importing participant's statement concerning the basis upon which it intended to achieve its stated objectives by bilateral consultations and negotiations and noted the expression of goodwill and flexibility made by certain exporting participants now predominant in the exporting of textile products of all the three fibres covered by the Arrangement.

The Committee agreed that within the framework of the MFA any such consultations and negotiations should be conducted in a spirit of equity and flexibility with a view to reaching a mutually acceptable solution under Article 4.3 or Article 3 paragraphs 3 and 4, which does include the possibility of jointly agreed reasonable departures from particular elements in particular cases.

The Committee also urged all participants concerned to move promptly to negotiate mutually acceptable solutions in the spirit of the MFA.

The Committee affirmed that in seeking such solutions the interest of the developing countries, new entrants, and small suppliers shall be recognized.

6. The Committee recognized that countries having small markets, an exceptionally high level of imports and a correspondingly low level of domestic production are particularly exposed to the trade problems mentioned in the preceding paragraphs, and that their problems should be resolved in a spirit of equity and flexibility. In the case of those countries, the provisions of Article 1:2 should be fully implemented.

7. It was reiterated that in the future implementation of the MFA, the special problems of developing countries shall be fully taken into account in a manner consistent with the provisions of the MFA, in particular Articles 1(3) and 6 thereof.

8. All participants saw mutual co-operation as the foundation of the Arrangement and as the basis for dealing with problems in a way which would promote the objectives and aims of the MFA. Participants emphasized that the primary aims of the MFA are to ensure the expansion of trade in textile products particularly for the developing countries, and progressively to achieve the reduction of trade barriers and the liberalization of world trade in textile products while, at the same time, avoiding disruptive effects on individual markets and on individual lines of production in both importing and exporting countries. In this context, it was felt that in order to ensure the proper functioning of the MFA, all participants would refrain from taking measures on textiles covered by the MFA outside the provisions therein before exhausting all the relief measures provided in the MFA.

9. Taking into account the evolutionary and cyclical nature of trade in textiles and the importance to both importing and exporting countries of prior resolution of problems in a constructive and equitable manner for the interest of all concerned, and on the basis of the elements mentioned in paragraphs 1 through 8 above, the TC considered that the MFA in its present form should be extended for a period of four years subject to confirmation by signature as from 15 December 1977 of a Protocol for this purpose.