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GENERAL AGREEMENT ON TARIFFS AND TRADE

Textiles Committee

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DRAFT

PROTOCOL EXTENDING THE ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

THE PARTIES to the Arrangement Regarding International Trade in Textiles (hereinafter referred to as "the Arrangement" or "MFA")

ACTING pursuant to paragraph 5 of Article 10 of the Arrangement,
and

REAFFIRMING that the terms of the Arrangement regarding the competence of the Textiles Committee and the Textiles Surveillance Body are maintained, and

CONFIRMING the understandings set forth in the Conclusions of the Textiles Committee adopted on _____ 1981, a copy of which is attached herewith,

HEREBY AGREE as follows:

1. The period of validity of the Arrangement set out in Article 16, shall be extended for a period of _____ years until _____.
2. This Protocol shall be deposited with the Director-General to the CONTRACTING PARTIES to the GATT. It shall be open for acceptance, by signature or otherwise, by the Parties to the Arrangement, by other governments accepting or acceding to the Arrangement pursuant to the provisions of Article 13 thereof and by the European Economic Community.
3. This Protocol shall enter into force on 1 January 1982 for the countries which have accepted it by that date. It shall enter into force for a country which accepts it on a later date as of the date of such acceptance.

Done at Geneva this _____ day of _____ one thousand nine hundred and _____ in a single copy in the English, French and Spanish languages, each text being authentic.

CONCLUSIONS OF THE TEXTILES COMMITTEE ADOPTED ON _____ 1981

1. The participants in the Arrangement exchanged views regarding the future of the Arrangement.
2. 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 aims and objectives 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 in individual markets and on individual lines of production in both importing and exporting countries. In this context, it was reiterated that a principal aim in the implementation of the Arrangement is to further the economic and social development of developing countries and to secure a substantial increase in their export earnings from textile products and to provide scope for a greater share for them in world trade in these products.
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. This situation 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. Attention was drawn to the fact that decline in the rate of growth of per capita consumption in textiles and in clothing is an element which may be relevant to the recurrence or exacerbation of a situation of market disruption. Attention was also drawn to the fact that domestic markets may be affected by elements such as technological changes and changes in consumer preference. In this connexion it was recalled that the appropriate factors for the determination of a situation of market disruption as referred to in the Arrangement are listed in Annex A.

5. It was agreed that any serious problems of textile trade falling within the purview of the Arrangement should be resolved through consultations and negotiations conducted under the relevant provisions thereof.

6. The Committee noted the important rôle of and the goodwill expressed by certain exporting participants now predominant in the exporting of textile products in all three fibres covered by the Arrangement in finding and contributing to mutually acceptable solutions to particular problems relative to particularly large restraint levels arising out of the application of the Arrangement as extended by the Protocol.—*/

7. The participants recalled that safeguard measures could only be invoked if there existed a situation of market disruption - as defined in Annex A - or real risk thereof. Noting that Article 6 envisages that in the application of such measures developing countries, especially new

*/— Further language to be discussed

entrants, small suppliers and cotton producers shall be given more favourable terms than other countries, the Committee drew particular attention to paragraph 12 below.

8. With respect to the definition of market disruption contained in Annex A of the Arrangement, participants took due note that difficulties had arisen as to its application in practice, leading to misunderstandings between exporting and importing participants, which have had an adverse impact on the operation of the Arrangement. Consequently, and with a view to overcoming these difficulties, the participants agreed that the discipline of Annex A and the procedures of Articles 3 and 4 of the Arrangement should be fully respected and that requests for action under these Articles shall be accompanied by relevant specific factual information. The participants further agreed that the situation prevailing when such action was requested should be periodically reviewed by the parties concerned, the Textiles Surveillance Body (TSB) being promptly informed of any resulting modifications under the terms of Articles 3, paragraph 9, and/or 4, paragraph 4.

9. It was recalled that in exceptional cases where there is a recurrence or exacerbation of a situation of market disruption as referred to in Annex A, and paragraphs 2 and 3 of Annex B, a lower positive growth rate for a particular product from a particular source may be agreed upon between the parties to a bilateral agreement. It was further agreed that where such agreement has taken into account the growing impact of a heavily utilized quota with a very large restraint level for the product in question from a particular source, accounting for a very large share of the market of the importing country for textiles and clothing, the exporting party to the agreement concerned may agree to any mutually acceptable arrangements with regard to flexibility.

10. The view was expressed that real difficulties may be caused in importing countries by sharp and substantial increases in imports as a result of significant differences between larger restraint levels negotiated in accordance with Annex B on the one hand and actual imports on the other. Where such significant difficulties stem from consistently under-utilized larger restraint levels and cause or threaten serious and palpable damage to domestic industry, an exporting participant may agree to mutually satisfactory solutions or arrangements. Such solutions or arrangements shall provide for equitable and quantifiable compensation to the exporting participant to be agreed by both parties concerned.

11. 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 problems arising from imports causing market disruption as defined in Annex A, and that their problems should be resolved in a spirit of equity and flexibility in order to avoid damage to those countries' minimum viable production of textiles. In the case of those countries, the provisions of Article 1, paragraph 2, and Annex B, paragraph 2, should be fully implemented. The exporting participants may, in the case of countries referred to in this paragraph, agree to any mutually acceptable arrangements with regard to paragraph 5 of Annex B; special consideration in this respect would be given to their concerns regarding the avoidance of damage to these countries' minimum viable production of textiles.*/

12. The participating countries were conscious of the problems posed by restraints on exports of new entrants and small suppliers, as well as on exports of cotton textiles by cotton producing countries. They re-affirmed their commitment to the letter and intent of Article 6 of the Arrangement

^{*}/ Further language to be discussed

and to the effective implementation of this Article to the benefit of these countries.

To this end they agreed that:

- (a) Restraints on exports from small suppliers and new entrants should normally be avoided. For the purposes of Article 6, paragraph 3, shares in imports of textiles and those in clothing may be considered separately.
- (b) Restraints on exports from new entrants and small suppliers should, having regard to Article 6, paragraph 2, take due account of the future possibilities for the development of trade and the need to permit commercial quantities of imports.
- (c) Exports of cotton textiles from cotton producing exporting countries should be given special consideration. Where restraints are applied, more favourable treatment should be given to these countries in terms of quotas, growth rates and flexibility in view of the importance of such trade to these countries, having due regard to the provisions of Annex B.
- (d) The provisions of Annex B relating to exceptional circumstances and cases should be applied sparingly to exports from new entrants, small suppliers and trade in cotton textiles of cotton producing developing countries.

(e) Any restraints envisaged on exports from new entrants, small suppliers and cotton textile producing countries shall take into account the treatment of similar exports from other participants, as well as non-participants in terms of Article 8, paragraph 3.

13. The Committee recalled that consideration is to be given to special and differential treatment which should be accorded to trade referred to in Article 6, paragraph 6.—^{*/}

14. Participants agreed to co-operate fully in dealing with problems relating to circumvention of the Arrangement, in the light of the provisions of Article 8 thereof. It was agreed that the appropriate administrative action referred to in Article 8, paragraph 2, should in principle, where evidence is available regarding the country of true origin and the circumstances of circumvention, include adjustment of charges to existing quotas to reflect the country of true origin; any such adjustment together with its timing and scope being decided in consultation between the countries concerned, with a view to arriving at a mutually satisfactory solution. If such a solution is not reached any participant involved may refer the matter to the TSB in accordance with the provisions of Article 8, paragraph 2.

15. In pursuance of the objective of trade liberalization embodied in the Arrangement, the Committee reaffirmed the need to monitor adjustment policies and measures and the process of autonomous adjustment in terms of the provisions of Article 1, paragraph 4. To this end, the Committee decided that a Sub-Committee should be established to carry out activities previously performed by the Working Group on Adjustment Measures and to make a periodic review of developments in autonomous adjustment

^{*/}— Further language to be discussed

processes and in policies and measures to facilitate adjustment, as well as in production and trade in textiles, on the basis of material and information to be provided by participating countries. The Sub-Committee would report periodically to the Textiles Committee to enable that Committee to fulfil its obligations under Article 10, paragraph 2.

16. Participating countries reaffirmed their commitment to the objectives of the expansion of trade, reduction of barriers to such trade and the progressive liberalization of world trade in textile products, while recognizing that these objectives also depend importantly upon matters outside the scope of the Arrangement, such as the reduction of tariffs.

17. In the context of the phasing out of restraints under the Arrangement, priority attention would be given to sectors of trade, e.g., wool tops, and suppliers for which the Arrangement provides for special and more favourable treatment as referred to in Article 6.

18. The participants reaffirmed the importance of the effective functioning of the two organs of the Arrangement, the Textiles Committee and the TSB, in their respective areas of competence. In this context, the participants emphasized the importance of the responsibilities of the TSB as set forth in Article 11 of the MFA.

19. The participants also reaffirmed that the rôle of the TSB is to exercise its functions as set out in Article 11 so as to help ensure the effective and equitable operation of the Arrangement and to further its objectives.

20. The Committee recognized the need for close co-operation among participants for the effective discharge of the TSB's responsibilities.
21. The participants also noted that, should any participant or participants be unable to accept the conclusions or recommendations of the Textiles Surveillance Body, or should, following its recommendations, problems continue to exist between the parties, the procedures set forth in Article 11, paragraphs 8, 9 and 10 are available.
22. The participants reaffirmed the importance of Article 7 to the effective operation of the Arrangement.
23. It was felt that in order to ensure the proper functioning of the MFA, all participants should refrain from taking measures on textiles covered by the MFA, outside the provisions therein, before exhausting all the relief measures provided in the MFA.
24. Taking into account the evolutionary and cyclical nature of trade in textiles and the importance both to 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 to 23 above, which supersede in their totality those adopted on 14 December 1977, the Textiles Committee considered that the Arrangement in its present form should be extended for a period of years,^{*}/ subject to confirmation by signature from^{*}/ of a Protocol for this purpose.

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To be discussed further.