

GENERAL AGREEMENT ON

RESTRICTED

TARIFFS AND TRADE

COM.TEX/69

12 August 1991

Special Distribution

Textiles Committee

REPORT OF THE COMMITTEE MEETING

Held on 31 July 1991

Chairman: Mr. A. Dunkel

1. The Textiles Committee held its eleventh meeting under the 1986 Protocol of Extension on 31 July 1991. The agenda for the meeting, set out in GATT/AIR/3221 dated 24 July 1991, was adopted, as follows:

- A. Continuation of the discussion on the future of the MFA, which was initiated at the Committee's meeting on 31 July 1990 (COM.TEX/66) and continued at its meetings on 14 December 1990 (COM.TEX/67) and 16 May 1991 (COM.TEX/68); and
- B. Other Business, including the membership of the TSB in the light of the outcome of the discussion of Item A.

Agenda Item A: Continuation of the Discussion on the Future of the MFA

2. The Chairman informed the Committee that he had carried out extensive consultations over the past several weeks and as a result of these, he was in a position to put before the Textiles Committee a draft Protocol Maintaining in Force the Arrangement Regarding International Trade in Textiles, for a period of 17 months, that is, from 1 August 1991 to 31 December 1992, and a draft Decision by the Textiles Committee (see Annexes I and II, respectively, attached). As proposed by the Chairman, the Committee adopted the Protocol and the Decision of the Textiles Committee. Thereafter, a number of delegations made statements.

3. The representative of Pakistan noted that the Chairman's efforts in the extensive informal consultations had been directed not only towards the immediate purpose of providing a mechanism for the period between 1 August 1991 and the commencement of the Uruguay Round agreement on textiles and clothing, but also towards the long term objective of the developing countries, like Pakistan, to find ways and means to increase their export earnings and thereby to support their essential development efforts.

4. He said that it was a matter of deep regret that the importing country participants had not been able to accept any of the suggestions put forward on behalf of the developing countries, including those of Pakistan, asking for concrete measures to improve access to their markets, or to loosen the levels of restrictions that had turned the MFA into a semi-permanent instrument of protection, or even to exercise restraint in invoking further restrictions. Pakistan would have hoped that, just when the participants were engaged in a major exercise to move toward the progressive elimination of restrictions on textiles and clothing and the long-awaited integration of this sector into GATT, the importing countries would have found it possible to make a beginning towards that goal. He said that his delegation was not, therefore, in a position to join the consensus on the basis of the draft that the Chairman had presented, and that while they would not stand in the way of those who might wish to go along with it, they themselves had to reserve their position.

5. The representative of India expressed their disappointment at the decision by which the MFA was being extended for a period of 17 months, pending the implementation of the results of the Uruguay Round negotiations on textiles and clothing. He said that, given the fact that this extension of the MFA was taking place against the background of the Uruguay Round negotiations, the objective of those negotiations, namely that of trade liberalization and of integration of this sector into GATT, could not be overlooked. In that context, what India was looking for through this decision was a commitment on the part of the importing countries using the MFA to refrain from invoking its safeguard provisions during the extended period, to improve access to their markets through improvements in bilateral agreements, and to do away with such trade restrictive practices as country quotas, group limits, aggregate limits, etc. He considered that such a commitment would have been in the spirit of the Uruguay Round and would have facilitated the integration of the textiles and clothing sector into GATT, the avowed objective of the Round. He said that, because of the rigidity of inflexibility displayed by most importing country participants, this had not been possible.

6. The representative of India said that, on their part, they had shown a considerable degree of flexibility and had wanted, at the minimum, a clear commitment from the importing country participants to use maximum restraint in the exercise of their rights under the MFA and to take positive steps to improve access to their markets. Even this had not been acceptable to them. He said that what they had now was a re-affirmation of the commitment to the standstill and rollback provisions contained in Part 1.C of the Punta del Este Declaration and the undertaking to endeavour to improve the trade situation during the period of this extension. Basically, this was an extension without improvement and was clearly not enough to address India's concerns.

7. He also said that the stance of some of the importing country participants had caused them concern in the wider context of the Uruguay Round negotiations on textiles and clothing. The safeguard measures that may be applied during the extended period were going to have an important bearing on the phase-out process of the MFA restriction during the transition period. It was because of these concerns that they had found it

difficult to understand, much less appreciate, the general attitude displayed by some of the importing country participants during the negotiations. He pointed out that this had raised serious doubts and questions in their mind about the nature of the commitment to the integration of the textiles and clothing sector into GATT and the intentions regarding the liberalization of trade in this sector on the part of some participants. He said that his government was studying the implications of the extension of the MFA without improvements in this wider context. He felt that this was not a right signal at this point of time when India had launched a major structural adjustment effort involving root and branch reform in most areas of economic and trade policy. India's ability to carry out these reforms successfully would not be facilitated and might, indeed, be hindered by the continuation of this kind of external trade environment. He said that against this background, he was under instructions from his government to place on record not only their deep sense of disappointment, but also to express their reservations on this extension without improvement.

8. The representative of Peru was of the view that the participants had adopted the Protocol and the Decision of the Textiles Committee in good faith as a bridging mechanism for the implementation of the transitional agreement on textiles and clothing resulting from the Uruguay Round which would allow for the definitive integration of this sector in GATT. She also urged the importing MFA members, without prejudice to their rights and obligations, to make a determined effort to resist the protectionist forces which might emerge during the 17 month extension period and by this means to contribute adequately to a positive climate for the continuation of the Uruguay Round negotiations and the achievement of the liberalization objectives, as stipulated in the Punta del Este Declaration. She stressed that Peru had made special efforts for the liberalization of its textiles and clothing trade and expressed the hope that other countries, in particular the importing countries, would proceed in like fashion.

9. The representative of the United States said that they were gratified that participants had agreed on what they saw as a practical course of action, not only in respect of textiles and clothing trade, but also the Uruguay Round. He commented that it was important to ensure predictability and stability, to the degree possible, in the textiles and clothing trade until the results of the Uruguay Round could be implemented and that the agreement reached would help this process. He expressed the hope of the U.S. delegation that this would be the final extension of the MFA and that through the Uruguay Round negotiations on textiles and clothing, these sectors could be fully integrated into the GATT. This was the U.S. objective in the Uruguay Round negotiations. He said that it would be extremely helpful in this process if all countries, developed and developing alike, would make the commitment necessary to substantially reduce all barriers to textiles and clothing trade.

10. The spokesman for the EEC said that they had always considered that the extension of the MFA was a holding operation allowing delegations to concentrate on the work of the Uruguay Round. He believed that the decision taken by the Textiles Committee was a commitment by all participants to do their best to improve the trade situation which would help pave the way for the integration of textiles and clothing into GATT.

Commenting on the remarks of an earlier speaker, he said that he was of the view that it was not only the task of the importing countries to control protectionism; rather, it was also for the exporting countries to try to bring their contribution to the stability of trade. He said that all participants were involved in a joint effort to pave the way to a successful conclusion of the Uruguay Round and the Community would participate in this process.

11. The representative of Indonesia, speaking on behalf of the ASEAN participating countries, said that they recognized that the extension of the MFA, for a period of 17 months, was a bridging arrangement pending the implementation of the Uruguay Round agreement on textiles and clothing. He said that, in this context, it was important to keep in mind the overall objective of the Uruguay Round negotiations, in particular the commitment that participants had made to liberalize the textiles and clothing trade and to integrate this sector into GATT. In the light of this, he urged the importing country participants to demonstrate their commitment during the bridging period through the liberalization of the textiles trade including improvement to bilateral agreements.

12. He said that it was understood that the authorities in some of the importing countries would continue to be subject to domestic pressures calling for increased protection against textiles and clothing imports. He expressed the hope that these protectionist pressures would be firmly resisted in order to maintain a favourable and cooperative atmosphere for the Uruguay Round negotiations. It was also the hope of the ASEAN participating countries that now, with the issue of the MFA extension resolved in a constructive and cooperative manner, the negotiations on textiles and clothing, in the context of the Uruguay Round, would bring about tangible and meaningful results.

Agenda Item B: Other Business

Textiles Surveillance Body

13. The Chairman said that, pursuant to consultations regarding the membership of the TSB for the period beginning 1 August 1991, it had been proposed that the Body should be composed, for the next 5-month period, i.e., until 31 December 1991, of members designated by the following parties: Canada, EEC, Finland, Japan, Korea, Macao, Peru, Thailand, Turkey, and the U.S. This proposal was endorsed by the Committee.

14. The Chairman recalled that members of the TSB could not be appointed until their respective governments had accepted the new Protocol.

15. Also with respect to the TSB, the Committee agreed that the appointment of the current Chairman would continue for the duration of the new Protocol.

Membership of Fiji in the MFA

16. The Chairman informed the Committee that the government of Fiji had officially re-confirmed to him, by letter dated 12 June 1991, its request for membership in the MFA which had been accepted by the Committee on 16 May 1991. Therefore, on 12 June 1991, Fiji became the 41st member of the MFA.

Date of Future Meetings

17. As regards future meetings, the Chairman recalled that the Committee was required, pursuant to Article 10:4, to meet once a year to review the operation of the Arrangement and to report thereon to the GATT Council. Based on past practice, he anticipated that this meeting would have to be held towards the end of the year, possibly in the month of November. He suggested, and the Committee agreed, that a firm date be set in good time before the meeting after consultation with delegations.

ANNEX I

PROTOCOL MAINTAINING IN FORCE 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,

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

FOLLOWING the Decision of the Textiles Committee adopted on 31 July 1991;

HEREBY AGREE as follows:

1. The Arrangement, including the Conclusions of the Textiles Committee, adopted on 31 July 1986, as amended by the 1989 Protocol Amending the 1986 Protocol Extending the Arrangement Regarding International Trade in Textiles, shall be maintained in force for a further period of 17 months until 31 December 1992.
2. This Protocol shall be deposited with the Director-General to the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade. 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 with effect from 1 August 1991 for the parties which have accepted it by that date and it shall enter into force for a party which accepts it on a later date as of the date of such acceptance. It shall be applied provisionally, taking into account their constitutional and/or legislative procedures for ratification, as from 1 August 1991, by parties which have signed it subject to completion of constitutional procedures, or notified the depositary of their intention to apply it provisionally, by that date, and by other parties from the date of their signature or notification of provisional application.

DONE at Geneva this thirty-first day of July one thousand nine hundred and ninety-one, in a single copy, in the English, French and Spanish languages, each text being authentic.

ANNEX II

DECISION BY THE TEXTILES COMMITTEE TO MAINTAIN IN FORCE THE ARRANGEMENT
REGARDING INTERNATIONAL TRADE IN TEXTILES FOR A PERIOD OF SEVENTEEN MONTHS

1.8.91 to 31.12.92

1. The Textiles Committee met on 31 July 1991 to resume the discussion that it had begun at its meeting on 31 July 1990 on the future of the Arrangement Regarding International Trade in Textiles (MFA), as extended by the 1986 Protocol, in accordance with the provisions of Article 10.5 of the Arrangement.
2. The Committee decided to maintain in force the MFA, as extended by the 1986 Protocol, for a further period of seventeen months from 1 August 1991 to 31 December 1992 in the expectation that the Uruguay Round results will come into force immediately thereafter.
3. In taking this decision, participants reaffirmed their commitment to the provisions contained in Part I.C (Standstill and Rollback) of the Punta del Este Declaration and their undertaking at the Mid-Term Review to endeavour to improve the trade situation paving the way for the integration of the textiles and clothing sector into GATT. They also reaffirmed the Conclusions of the Textiles Committee adopted on 31 July 1986.
4. As to the necessary legal steps in this regard, the Textiles Committee drew up the attached text of a Protocol Maintaining in Force the MFA for a further period of seventeen months. The Protocol would enter into force on 1 August 1991.