

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

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Group of Negotiations on Goods (GATT)
Negotiating Group on Textiles and Clothing

NEGOTIATING GROUP ON TEXTILES AND CLOTHING

Meeting on 21 July 1988

Note by the Secretariat

1. The agenda, set out in GATT/AIR/2636, dated 5 July 1988, was adopted.
2. The Chairman referred the Group to document MTN.GNG/NG4/8, which contained the main points raised at the last meeting, held on 13-14 June 1988. He also drew the Group's attention to four documents which had been circulated since the last meeting (MTN.GNG/NG4/W/14, W/15, W/16 and W/17) setting out statements made by Finland, on behalf of the Nordic countries; by Indonesia, on behalf of a number of developing countries; by Pakistan; and by Indonesia, on behalf of ASEAN countries. He noted that the Group had also before it: an informal note by the Secretariat concerning the Nordic proposal (see paragraphs 10 and 11 below); and a revised informal non-paper by the Secretariat setting out the views expressed on the main elements of the proposals before the Group and on the negotiating objective. Finally, he observed that document COM.TEX/57, containing the summaries of submissions to the Sub-Committee on Adjustment which had recently been submitted to the Textiles Committee, would undoubtedly make a useful contribution to the work in this Group.
3. Turning to the agenda for the meeting, the Chairman invited participants to address the principle task before the Group i.e. to continue the examination of techniques and modalities for achievement of the objectives set out in this area in the light of proposals made by participants.
4. The spokesman for the group of developing countries, referring to their proposal provided at an earlier meeting (NG4/W/11), elaborated on the four principle elements set out therein. He stated that the first priority was to freeze further restrictions forthwith so that the phase-out process would not be nullified; this freeze being different from the standstill commitment of the Ministerial Declaration. A further step was to relax restrictions through application of a mandatory growth of 6 per cent, with escalation in growth and flexibility rates in subsequent years. Regarding the elimination of concepts and practices incompatible with the General Agreement set out in their proposal, he specifically mentioned abolition of: price criteria, exceptional circumstances including mvp, basket extractor, consultation levels, aggregate and group limits, and the concept of market disruption. He also stated that the effective application of

Part IV of the GATT and the Enabling Clause would be essential for the integration of this sector into the GATT. As regards the termination of the MFA and the bilateral agreements thereunder, their proposal envisaged that the process of liberalization and integration would have to be phased in and, at the same time, the MFA phased out. He further commented that the above-mentioned elements should constitute the basis for the formulation of modalities for the elimination of the selective and discriminatory régime on a date to be agreed in the Uruguay Round. He pointed out that the Group should focus on the work to be accomplished by the end of the year in order to establish a framework for negotiations thus enabling the Ministers at the Montreal TNC to impart further political impetus to the negotiations in this crucial area. (The full text of this statement is set out in NG4/W/18). A number of delegations spoke in support of this statement and one added that the process of relaxing restrictions would also be assisted by simplifying the present product categorisation system.

5. Commenting on the statement made on behalf of the Nordic delegations at the last meeting (NG4/W/14), one delegation stated that it contained a number of positive elements, including their recognition that negotiations in this sector should lead to the eventual integration of textiles and clothing trade into GATT and that this should be carried out in such a way that it did not result in a proliferation of bilateral arrangements outside the framework of GATT. He also stated that, contrary to the view expressed in the Nordic countries' paper, a freeze on restrictions would not be disadvantageous to those importing countries maintaining selective restraint measures. The import régimes of such countries had introduced much less distortion in the market than those countries with extensive restraints, and, therefore, they should be able to more easily integrate their textile trade into GATT. Concerning the Nordic view that it would be difficult to accept Pakistan's suggestion that restrictions on apparel might be applied only with the approval of the TSB, he felt that importing countries should now be making efforts to develop an outlook more consistent with GATT rules than with MFA with procedures, i.e. they should consider the effects on their markets of all imports from all sources as a basis for taking restraint actions. Referring to the comment that the MFA had guaranteed producer countries some stability and expansion of exports, he observed that this had been achieved, however, at the expense of selectivity and discrimination. Furthermore, it was his view that adaptation and restructuring in the textiles and clothing industries of the importing countries, as referred to in the Nordic statement, had been carried out at a much slower pace than would otherwise have been the case.

6. A number of delegations expressed concern over the slow progress in the work of the Group, and disappointment that no formal proposals on modalities had been provided by the importing participants, while only general discussions had been held on the two proposals provided by developing countries. It was stated that this lack of progress indicated that textiles and clothing was not being given the attention it warranted in the Uruguay Round and if political will were not reinforced and negotiations on the central issues undertaken, it would not be possible to move the process forward and achieve the negotiating objective. In this

regard the view was held by some that the progress to date was not all that slow; there had been useful discussion of the proposals put forward and they were prepared to conduct detailed examination of the proposals before the Group but such examination should take into consideration all of the problems in this sector.

7. Concerning the scope of the Group's work, one delegation reiterated the view that any modality to be considered would have to address not only MFA restraints, but also all of the restraints being maintained which were not currently integrated into the GATT. Another delegation considered that such approach would be inconsistent with the negotiating mandate. It was stated by some delegations that this Group should have a broad perspective, looking at all measures, all elements and all problems having a consequence for textiles and clothing trade since the integration of this trade into the GATT would have to be in the context of strengthened GATT rules and disciplines. In this regard reference was made to problems affecting textiles and clothing trade such as prohibitive tariffs and non-tariff measures, e.g. import procedures and licensing requirements. Some others commented that they did not view the task of the Group as including an examination of problems facing this trade but only the negotiation of the integration of this sector into the GATT. It was suggested by some that the strengthening of GATT rules and disciplines would be an important determinant in the timing of the eventual integration into GATT, but there was ample scope for positive action in the meantime.

8. With respect to the timing of the Group's work, a delegation stated that, in order to reach a successful conclusion in 1990, substantial negotiations would have to begin as soon as possible but not later than 1989. On that point, another delegation felt that no distinction should be made between the examination of modalities and the negotiations based upon such modalities and, consequently, negotiations should begin immediately on the basis of the two proposals before the Group. Another delegation while not separating the two aspects, felt that the examination process should be further advanced before entering into the actual negotiations.

9. Concerning the objectives of the negotiations in this Group, one delegation endorsed what had been said earlier by the Pakistan delegation (NG4/W/16) that the Group should be looking for a time-bound programme for the elimination of the discriminatory MFA régime and the integration of this sector into the normal GATT framework. In this regard, it was suggested that, by the end of this year, the Group should have a clear idea of the means by which it was going to achieve the negotiating objective. However, to be able to do so, substantial progress in the examination of techniques and modalities would be required in the meantime. One delegation affirmed that it would continue to make efforts to reach the negotiating objectives which, he stated, would require a step-by-step, pragmatic approach. He felt that the Group should formulate a common understanding on the basis of a realistic analysis of the current situation in the textiles and clothing industries and that, in this process, account must be taken of the benefits which had accrued to both the importing and exporting countries during the MFA. In this connexion, one delegation reiterated the view that the benefits which had accrued to some exporting countries up to 1986, were no longer present under MFA IV. Another delegation felt that a useful way to work towards the Group's goal would be to consider the obstacles in the way of integrating the textiles sector into GATT.

10. The Nordic delegations' spokesman referred to their proposal set out in (NG4/W/14) that an analysis be carried out by the Secretariat of the global economic and trade consequences of the dismantling of all restrictions under the MFA and other trade restrictions in this field. He noted that, as agreed at the last meeting, consultations on the feasibility of such analysis had been held with the Secretariat and an informal note on this matter had been prepared by the Secretariat and circulated to the Group. He added that the Nordic countries would have a preference for the completion of the analysis by next spring rather than June of next year as mentioned in the note. He also expressed the view that the proposed analysis would assist governments in their decision-making process and thereby contribute to the negotiations. This suggestion was supported by some delegations who commented that the proposed analysis would provide a useful contribution to the work of this Group without delaying the progress. The point was made that, in carrying out its work, the Group must look to the future, and in this regard the Nordic proposal could be very helpful in drawing conclusions on certain modalities.

11. Other delegations were not in favour of such an analysis being undertaken at this juncture considering that adequate and sufficient material was already before the Group. Some delegations stated that they had difficulty with the timing of this request and felt that a proposal of this type might lend itself to a more favourable reception after the elements which would permit integration of the textiles sector into GATT had been identified. The spokesman for the group of developing countries stated that a quantitative study might not be feasible in view of the numerous factors involved, while a qualitative study would not be necessary since many studies in this area were already available. In this regard, he referred the Group to a paper submitted by the members of the ITCB, entitled "Note on Consequences of Dismantling the MFA" which brought together conclusions from the available documentation on the subject (As requested, this paper will be circulated as NG4/W/19.). It was suggested that, if warranted, some up-dating of available information might be helpful, but a new study would not be appropriate. It was also suggested that participants might wish to give consideration to the note on consequences of dismantling the MFA, which was made available the Group at this meeting, to see if such a note would meet their ends, in conjunction with the Secretariat's informal note on the proposed analysis. After discussion, the Group decided to defer this matter to its next meeting.

12. Also on the matter of documentation, one delegation recalled his earlier suggestion that the Secretariat should prepare a compilation of all current restraint measures affecting trade in textiles and clothing. A complete picture of all restraint measures in this area would assist the negotiation process. In this regard, some delegations expressed the view that it was not appropriate at this stage in the work for further studies to be requested of the Secretariat; however, it was felt that any such studies, if provided by delegations, would be welcomed. In this respect, it was recalled that in the Chairman's summing up in December 1987 (NG4/5), the Group had agreed that it would continue to address requirements for additional information. After discussion, the matter was left in abeyance.

13. The Chairman recalled that future meetings of the Group would be held on 19-20 September and 2-3 November 1988 and, in the interim periods he would conduct informal discussions on matters before the Group including the reports of this Group to the GNG in November.