

**MULTILATERAL TRADE  
NEGOTIATIONS  
THE URUGUAY ROUND**

RESTRICTED

MTN.GNG/NG4/11  
11 November 1988

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

MEETING OF 2-3 NOVEMBER 1988

Note by the Secretariat

1. The draft agenda, set out in GATT/AIR//2695, dated 10 October 1988, was adopted.
2. The Chairman referred the Group to document MTN.GNG/NG4/10, which contained the main points raised at the last meeting held on 19-20 September 1988. He also drew the Group's attention to document MTN.GNG/NG4/W/20, setting out a statement made by the delegation of Indonesia, on behalf of a number of developing countries, members of the International Textiles and Clothing Bureau (ITCB) at the September meeting of the Group, and to document MTN.GNG/NG4/W/21, containing a communication from Canada. He also reminded the Group of the third revision of the informal non-paper by the Secretariat updating the views expressed on the main elements of the proposals before the Group, including the recent communication from Canada, and on the negotiating objective.
3. Turning to the agenda for the meeting, the Chairman invited participants to address the principal 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. He also drew the Group's attention to agenda item "Other Business", which included the discussion of his report to the GNG, a draft of which, dated 25 October 1988, was also before the Group.
4. The spokesman for the group of developing countries, members of the ITCB, recalling their earlier proposals and other submissions, expressed concern over the slow progress in the Group's work. Deploring the fact that their proposal for a freeze on further restrictions had not been seriously addressed, he underlined that his group's first priority was to freeze further restrictions forthwith. He stated that the process of integration of the textiles and clothing sector into the GATT had to ensure special treatment for the least developed countries as provided in sub-paragraph 2(d) of the Enabling Clause and Section B(vii) of the Punta del Este declaration. Thus the process of winding down of MFA restrictions should commence with these countries. (The full text of his statement is reproduced in MTN.GNG/NG4/W/22 and the points raised in connexion with the Chairman's draft report follow below.)

5. A number of delegations spoke in support of the above statement stressing that the Group had only achieved limited results in its work owing to the unwillingness of importing countries to negotiate. It was stated that the lack of progress would only have an adverse impact on the negotiations as a whole. Concern was also expressed with respect to attempts to misinterpret the Punta del Este declaration on textiles and clothing. Some participants pointed out that for many developing countries the maintenance of the present discriminatory MFA régime called into question the credibility of the whole GATT system. One participant, underlining the special importance of the textiles and clothing sector to his country's trade, pointed out that his authorities would base their judgement on the whole Uruguay Round in the light of the results achieved in this area. He stated that due to lack of satisfactory results, his delegation would voice its concern both in the GNG and in the upcoming Ministerial Meeting in Montreal. He added that his authorities gave serious consideration to the Canadian communication submitted at the last meeting (MTN.GNG/NG4/W/21) and would comment on it at a later stage.

6. Commenting on the question of freeze, an importing participant, recalled their stated objective for progressive trade liberalization in this sector on the basis of a better balance of rights and obligations of participating countries. He underlined the progress in their textile and clothing trade under the MFA which had manifested itself in a considerable increase in imports from exporting MFA members over the last two years, and the way in which the MFA and the bilateral agreements negotiated thereunder had been applied by them. He reiterated the great importance they attached to the progress achieved in other negotiating groups for trade in textiles and clothing, and reaffirmed their position as set out in their earlier communication (MTN.GNG/NG4/W/12). He also recalled their readiness to envisage measures in favour of least developed countries. Another participant pointed out that in the course of the discussion in the Group it was the view of several delegations that considerable progress had been made in trade in textiles and clothing. In reply a participant expressed the view that whatever progress had been made in the context of liberalization of trade in this sector, it had taken place through autonomous measures and not through the process of negotiations within this Group.

7. Many delegations welcomed the initiative of the Swedish Government in proposing to the Parliament a deregulation of restrictions on textiles and clothing and to terminate bilateral agreements by 31 July 1991, the expiry date of the MFA. The hope was expressed that other developed countries would pursue similar actions. At the same time it was regretted that an importing country had embarked on a policy of more restrictions on textiles and clothing. In reply to this statement the delegate of the importing country concerned, while emphasizing that his country was in a different situation as regards trade in textiles and clothing, pointed out that his country continued to be in favour of integrating the textiles and clothing sector into the GATT. However, the MFA was being used to assist the domestic textile industry to restructure and to help his authorities to avoid taking stronger restrictive actions.

8. With respect to the Chairman's draft report to the GNG, the spokesman for the group of developing countries, members of the ITCB, in his statement mentioned above, emphasized that in addition to freeze, the essential elements of the report were: the crucial importance of achieving results in negotiations; commitment to engage in substantive negotiations early in 1989; agreement being reached within the Uruguay Round on the modalities for the integration; the phase out of MFA restrictions will begin upon the expiry of the present MFA protocol; the process of integration will be gradual and progressive; and that the process of integration will be completed within a specific time-frame to be agreed upon during the Uruguay Round.

9. The Chairman, following the discussion of his draft report in informal sessions, noted that Section A thereof was not controversial. However, in view of a suggestion put forward for an addition to be made to paragraph 10, he invited delegations to submit factual comments on this Section to the Secretariat forthwith, if they deemed it necessary. Referring to Section B, the Chairman said that there was a general consensus within the Group on paragraphs 1 and 2 of his draft, with an addition - either as a separate paragraph or an addition to paragraph 2 - to cover the point that had been made with respect to special treatment for the least developed countries. The Chairman noted that, on the other hand, there was fairly wide divergence of views on paragraphs 3, 4 and 5 of the draft, and these divergences had been such that it had been very difficult to reconcile on an agreed position within the Group during the time available.

10. All delegations who spoke thereafter expressed their appreciation of the efforts deployed by the Chairman. Some pointed out that while they would not challenge the report, they were disappointed over the slow progress in the Group which had been demonstrated by the fact that it could not agree on the inclusion of substantial points in the Chairman's report. One delegation reserved its position with respect to Section A of the report, depending on the modifications to be made, while another reserved its position in relation to the whole report.

11. The Chairman's report has been circulated separately.

12. The Group agreed that the next meeting would take place during the week beginning 23 January 1989, with the Group's work programme for 1989 on the agenda.