

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

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Negotiating Group on Textiles and Clothing

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COMMUNICATION FROM SWITZERLAND

The following communication has been submitted by the delegation of Switzerland for circulation to the members of the Negotiating Group on Textiles and Clothing.

Introduction

Following the conclusion of the mid-term review by the Trade Negotiations Committee in April of this year, the work of the Negotiating Group on Textiles and Clothing should move rapidly into a stage of substantive negotiations in order to reach agreement within the time-frame of the Uruguay Round on modalities for the integration of the textiles and clothing sector into GATT.

For Switzerland it is important that negotiations lead to substantive results with regard to the negotiating objective. Conceived to be transitory, the present régime governing trade in textiles has become a permanent derogation of the basic GATT principles. The progressive elimination of this régime, leading to the eventual application of strengthened GATT rules and disciplines to the sector of textiles and clothing would increase the credibility of the GATT system as a whole. Integration would, however, be of little value if it did not also lead to more competitive environment and to further liberalization by all participants in this sector.

There is little time left until the end of next year to achieve this ambitious objective in a sector where negotiations have been recognized by Ministers to be one of the key elements of the Uruguay Round. Switzerland believes that in order for negotiations to be substantive and efficient, they have to be structured in a way which would permit to discuss possible solutions to previously identified problems. The recent TNC decision on textiles and clothing determines in very broad terms the main parameters for substantive negotiations and thus provides some guidance for the further work of the Group. In our view, these parameters have to be translated into a more operational work programme for the elaboration of the modalities for the integration of the textiles and clothing sector into GATT, in order for the negotiations to proceed in a positive manner and to ensure that agreement is reached within the time-frame of the Uruguay Round.

Work programme for the negotiations

The following work programme is intended to contribute to substantive negotiations on the negotiating objective set out in the Declaration of Punta del Este and in pursuance of the TNC decision of last April. It is not meant to be exclusive of any other subject that participants might wish to discuss. The work programme could be supplemented and/or modified. It does not imply a sequence in which the various subjects should be discussed. Furthermore, Switzerland reserves the right to present further views on any of the subjects listed below.

1. Modalities for the progressive elimination of restrictions

The TNC decision identifies two types of restrictions on textiles and clothing for which modalities should be elaborated:

- restrictions under the Multi-fibre Arrangement;
- other restrictions not consistent with GATT rules and disciplines.

a) Restrictions under the Multi-fibre Arrangement

There are many ways to phase out MFA restrictions. Some of the proposals and communications already before the Group address certain modalities for the progressive elimination of these restrictions and constitute a good starting point for negotiations in this area. In our view, modalities for their elimination could be elaborated according to three different approaches:

- a commonly agreed method for the progressive phasing out, within a certain time-frame, of restrictions maintained currently under the MFA (enlargement of existing quotas, elimination of under-utilized quotas, elimination on the basis of individual shares of the supplying countries, etc.);
- a commonly agreed method for the progressive transformation, within a certain time-frame, of existing MFA restrictions into non-discriminatory restrictions in conformity with GATT rules and disciplines and their parallel/subsequent reduction/elimination (global quotas, tariffs or tariff quotas);
- a multilateral decision on the stages for progressive elimination and on a date for the completion of the elimination process, while leaving it to the discretion of each participating country to choose among the modalities falling under the first two approaches.

So far discussions in the Group have mainly focused on the first two approaches which would lead to the elimination of restrictions through a commonly agreed method applicable to all participants. There exists also an abundant literature as to how modalities falling under either of the two categories could be implemented.

While discussion on the first two approaches should continue, Switzerland believes that the third approach could also be further explored by the Group as a possible method for the eventual elimination of all MFA restrictions. One of the main advantages of such an approach would be to allow each country to choose the appropriate modality(ies) for the elimination of MFA restrictions in accordance with the need for structural adjustment of its own industry. It would in particular be helpful for the importing countries to take into account the sensitivity of certain products in their own markets. In order to ensure, however, that the pace of liberalization would proportionately be the same in all restraining countries, irrespective of their patterns of restrictions, appropriate multilateral procedures would have to be established with regard to the surveillance of progress achieved by individual participants in the elimination of MFA restrictions in accordance with a calendar agreed upon by the Group.

The above described approaches might also be combined by elaborating for certain products and/or types of restrictions commonly agreed modalities applicable to all participants, while providing some flexibility to each participant in choosing modalities for other products and/or types of restrictions.

b) Other restrictions

Several participants have indicated that modalities for the integration of the textiles sector into GATT should also cover restrictions neither consistent with GATT rules and disciplines nor with the MFA. Switzerland agrees that such grey area measures should be eliminated. In order to help this process on a practical basis, it could be envisaged that those restrictions which have not yet been eliminated and which specifically apply to trade in textiles and clothing could be identified through notifications by those countries who feel that the elimination of these restrictions is necessary to achieve progress in the negotiations by the Group. Upon their notification, such restrictions would be examined by the Group on a case-by-case basis with the view to reach an agreement on the relevance of these restrictions for the work of the Group and, if necessary, on the method for their elimination. This procedure should, however, not replace the general commitment of Rollback undertaken by all participants in Punta del Este.

2. Modalities for a transitional arrangement

In conformity with the TNC decision on textiles and clothing, modalities for the process of integration should also cover "the progressive character of this process which should commence following the conclusion of the negotiations in 1990". Switzerland is of the opinion that the integration process should spread over a reasonable period of time in order to enable importing as well as exporting countries to adjust to conditions of increased market access in a more competitive environment. A transitional period seems to be even more necessary as the present régime in the sector of textiles and clothing has been in place for a long time.

Such a transitional period, in order to fulfil its purpose of a smooth integration of the textiles and clothing sector into GATT, implies the elaboration of clearly defined rules and procedures which would form an integral part of a transitional arrangement. While they might need to be adapted to the modality(ies) chosen, these rules and procedures will be necessary for any of the approaches or combination of approaches which have been identified in section 1 of this paper. Switzerland proposes that rules and procedures should be established in particular with regard to:

- the renewal of existing restrictions not in conformity with GATT rules and disciplines. Renewal should only be possible within the parameters of modalities decided upon for the elimination of these restrictions;
- the use of new restrictions other than those existing at the time of entry into force of the transitional arrangement. There could be an agreement that while new restrictions would be prohibited, the need for new measures which could arise during the transitional period could be addressed by resorting to the safeguard provisions of the General Agreement;
- the time-frame of the transitional arrangement which could start with the expiry of the present MFA Protocol in July 1991 and which would end at a date to be agreed upon until the end of the Uruguay Round;
- the calendar applicable to all participants, indicating the different stages for elimination of restrictions within the time-frame agreed upon;
- the surveillance of progress achieved by all participants concerning the elimination, the phasing out or the transformation of restrictions not in conformity with GATT rules and disciplines and the increase in market access resulting from this process;
- the applicability of the provisions for the settlement of disputes of the General Agreement.

At the termination of the transitional arrangement, it would be replaced entirely by the provisions of the General Agreement.

3. Parameters for integration

Integration is not an objective in itself. Its purpose cannot be the transposition of the present régime into the General Agreement. The new régime applying to trade in the sector of textiles and clothing should lead to increased and durable market access in a more competitive environment, with disciplines accepted by and applicable to all participants. The difficulty we are faced with is that the rules and disciplines of the new régime which should also apply to trade in textiles and clothing are not yet known since the establishment of that régime is part of the Uruguay Round negotiations.

Therefore, Switzerland shares the view expressed by many participants who have noted that the work in several negotiating groups has a bearing on the work of the Negotiating Group on Textiles and Clothing with regard to the overall balance of concessions in this sector. Any meaningful outcome of negotiations in the area of tariffs and non-tariff measures should contribute to increased market access in the textiles and clothing sector for all participants. On the other hand, recent textile history has shown that strengthened GATT rules and disciplines are necessary to create a healthy environment in which trade in textiles could return to the GATT. The rules and disciplines on safeguards, subsidies and countervailing measures and intellectual property (counterfeit goods, protection of models and design) are particularly relevant in this regard.

In our view there exists a natural relationship between the work in the negotiating group on textiles and other negotiating groups. While we should not wait for results to have been achieved in other negotiating groups before we pursue substantive negotiations in this Group as expeditiously as possible, we should always keep in the back of our minds the more global perspective of the textile problem. At some point in the negotiation, each participant will have to evaluate whether the GATT rules and disciplines have been sufficiently strengthened with regard to their application to the textiles and clothing sector and whether a balance of concessions has been achieved with regard to increased market access opportunities in this sector for all participants.

Switzerland believes that the Group could assist this process of individual assessment by testing certain concepts and proposals discussed in other negotiating groups with regard to their applicability to textiles. The purpose of these tests would be to identify the participants' views on how the existing GATT rules and disciplines should be strengthened in order to constitute an improved trading system also for the sector of textiles and clothing. They should, however, not lead to recommendations by this Group to other negotiating groups or otherwise infringe upon the work undertaken by these groups.

Such tests could be undertaken e.g., in the area of safeguards, given the outstanding importance for the work of this Group of the work undertaken in the Negotiating Group on Safeguards. A discussion by the Group on certain concepts and/or proposals before the Negotiating Group on Safeguards would provide in our view some guidance to the participants in this Group as to the possible shape of a revised safeguards rule which would also apply to trade in textiles once the transitional period terminates. Similar tests could then be undertaken with regard to other relevant areas of the negotiations.