

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

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

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MTN NEGOTIATING GROUP ON TEXTILES AND CLOTHING
SUBMISSION BY CANADA

This submission contains Canada's preliminary views on modalities for the integration of the textiles and clothing sector into GATT on the basis of strengthened GATT rules and disciplines, thus contributing to the objective of further liberalization of trade and a stronger multilateral trading system. It takes account of and is consistent with the April, 1989, decisions of the Trade Negotiations Committee (TNC).

The Communication from Canada of September, 1988, (NG4/W/21) identified a number of modalities by which textiles and clothing trade could be liberalized and brought under a strengthened GATT. In light of discussions of these modalities in the Negotiating Group on Textiles and Clothing, it would be desirable for the integration process, from the outset, to be as close as practicable to the operation of normal GATT rules and to fair competitive conditions. The integration process should, therefore, be liberalizing, market oriented and non-discriminatory.

BASIC APPROACH

Canada proposes that, with effect from the expiry of the current MFA Protocol on 31 July, 1991, all measures inconsistent with the GATT, including those maintained under the MFA, should be terminated. Throughout the transition period, trade in textiles and clothing, as defined by the Harmonized System, would be governed by special safeguard measures patterned on GATT Article XIX, as amended in this Round. These measures, which would utilize Article XIX procedures for their implementation, would contain two temporary derogations:

- (a) access to the special safeguard mechanism would be governed by the concept of market disruption, or real risk thereof, rather than serious injury; and
- (b) no compensation would be required for measures taken under this mechanism.

The specific features of the global test of market disruption would be established by this Negotiating Group. Special safeguard measures would be implemented in the form of global quotas on a product basis, administered by the importing country.

LIBERALIZATION

The special safeguard mechanism would be progressively liberalized during the transition period through the operation of two mechanisms, both established multilaterally within these negotiations. First, the range of products that would be eligible for access to this mechanism would be progressively reduced over the transition period according to previously negotiated criteria. Excluded products would be subject to normal GATT rules. Second, any restrictions imposed under this special safeguard mechanism would be subject to minimum growth rates.

DURATION

An immediate return of this sector to normal GATT disciplines on the expiry of the current MFA Protocol would be desirable. However, given the current distortions of trade in this sector, a period of transition to normal GATT rules will be required if this process is to be politically viable for all participants.

The period of transition would be of finite duration and would begin with the expiry of the current MFA Protocol on July 31, 1991. The duration would be defined by these negotiations and necessarily influenced by the nature of the modalities for the transition period and the nature of the strengthened GATT rules and disciplines.

SCOPE

The integration process should involve the phase-out of all restrictions on trade in textiles and clothing not consistent with GATT rules and disciplines, including those maintained under the Multi-Fibre Arrangement.

There are a number of other measures and practices which, while consistent with GATT rules and disciplines, negatively affect trade in this sector. These measures and practices should be addressed in the appropriate negotiating groups with a view to their full integration into GATT, thus contributing to the overall liberalization of trade in this sector.

STRENGTHENED GATT RULES AND DISCIPLINES

It is clear from the mandate of this Negotiating Group and from the April TNC decision that the strengthening of GATT rules and disciplines forms the basis for these negotiations. The results achieved in other negotiating groups should reflect a contribution by all parties to the liberalization process and are of fundamental importance to Canada if the mandate of this negotiating group is to be achieved. These results should also lead to the elimination of all measures which currently inhibit trade in textiles and clothing.

Improvements in areas such as safeguards, countervail/subsidies, market access, anti-dumping and balance of payments will be critical elements in assessing whether GATT rules and disciplines have been sufficiently strengthened in order to permit the full integration of textiles and clothing into the GATT. While negotiations on these issues will be carried out in the relevant negotiating groups, participants should be free to raise in the Negotiating Group on Textiles and Clothing issues of concern to them in this regard.

LLDCS

Special treatment will be accorded to the least-developed countries. The terms and conditions applicable to LLDC's will be developed during the course of the negotiations.

CONCLUSION

This approach, given its close proximity to current GATT practice, offers all of the advantages being sought in this negotiation short of an immediate and full return to normal GATT rules. It contains nothing of the discriminatory elements of the MFA. It is simple, transparent and certain. It applies to all parties. It has the advantage of restoring an element of market discipline that is lacking in the MFA market sharing approach. It is dynamic in that it will allow suppliers to capitalize on their natural advantages and take full advantage of improved conditions of market access. It is fair in that all participants would contribute to the adjustment required to integrate textiles and clothing trade into the GATT. This approach contains benefits for both importers and exporters but perhaps its greatest attribute is the reintroduction of fair competitive conditions which will facilitate the transition to normal GATT rules.