

**MULTILATERAL TRADE  
NEGOTIATIONS  
THE URUGUAY ROUND**

RESTRICTED

MTN.GNG/NG4/W/47

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

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COMMUNICATION FROM THE EUROPEAN COMMUNITIES

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

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The Community, in its submissions and statements to the Negotiating Group on textiles and clothing, in particular in its communication of July 1989 (MTN.GNG/NG4/W/24), has demonstrated its desire to achieve the negotiating aim of this group through a process which avoids disruption of trade by keeping unknown factors to a minimum, and at the same time involves a commitment to progressive phasing-out of restrictions as part of a collective effort in full conformity with the Punta del Este declaration. The Community therefore has chosen, as regards the basic technique for integrating the textiles sector into the GATT, the option of an MFA-based system taking existing restrictions as a starting point. The Community also confirms its position that there can be only one basic technique applying to all participants for the integration of the textiles sector into the GATT.

All participants have now communicated individually or collectively their ideas or proposals to the Negotiating Group and the Community is pleased to note that there is an overwhelming majority in this Group in favour of an MFA-based approach. It urges those participants who are still considering other options to join the emerging consensus so that serious negotiation on the different elements can make progress. The time remaining before the July deadline and subsequently before the end of the Uruguay Round is very limited. The Community is impatient to go ahead and move into more substantial negotiations.

While we insist that there must be rapid progress on a number of substantial issues related to the integration aspect of our negotiations, it is timely and in line with our work programme that the Group also focuses on the other key aspect of the integration process, namely strengthened GATT rules and disciplines.

**GATT SECRETARIAT**

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It might be useful to recall why this aspect is so important. As the Community sees it, we are working in this Group to initiate a process which will liberalise the textiles sector and progressively eliminate the special conditions which have governed its trade for the past thirty years. These conditions are based not only on the protection applied by importing countries but also on a variety of less overt defense and support mechanisms that have grown up over time in exporting countries. These too have an impact on trade and as such have tended either to create new types of protection or to perpetuate existing ones. The objective of the Punta del Este declaration is to break this cycle and to bring textile trade into the GATT.

For integration into the GATT to take place there is a need to organize a collective effort in a credible manner. Credibility would be impaired if inter alia not all participants could be confident that at the end of the process they would be able to trade in a fairer, more predictable and more liberal trading environment in the true GATT sense. This is not a North/South problem as it is often portrayed: it is a collective problem. If there is to be an effective and lasting opening up of markets of all participants for textiles and clothing, then the other elements the Community has stressed as important in the context of strengthened GATT rules and disciplines have to be dealt with as a matter of logic: trading in a more liberal environment creates the need to ensure that trade takes place under fair competitive conditions, but it also means that an effective safeguard mechanism must be available.

Against this background the Community is convinced that it is incumbent on all participants to give serious attention to these key elements. Inevitably at some stage in the negotiations on textiles and clothing this Group will have to assess whether the strengthening of GATT rules and disciplines emerging from the Uruguay Round process could provide a basis for integrating the textiles sector into the GATT. Since this Group is responsible for achieving its negotiating aim, namely integration of textiles into the GATT, participants either individually or collectively have to make every effort to ensure that what emerges from other Negotiating Groups in the Uruguay Round process is supportive of this aim. It might be useful to recall that in the April 1989 TNC decision Ministers recognised "that negotiations in this sector are one of the key elements in the Uruguay Round".

Apart from the question of substance as regards the strengthening of GATT rules and disciplines there is also an organisational aspect which is intimately linked to the credibility of the integration process. A transitional regime for this integration has to cover the progressive elimination of existing restrictions and the application of strengthened GATT rules and disciplines and to ensure a parallelism between these two aspects which reflects the co-ordinated effort of all participants.

It is on this aspect that the Community would like to put forward some ideas as a basis for making progress. They illustrate and complement the Community communication of July 1989 (MTN. GNG/NG4/W/24). They assume that at the end of the negotiations in this Group there will be a consensus that a transition process should be set in motion. As the negotiations will go on these ideas will be supplemented by additional contributions from the Community on the other elements contained in its communication of July 1989.

In order to construct a credible, orderly and confidence-building integration process three basic organisational elements are needed: graduality and progressivity, a surveillance mechanism and a verification system.

#### GRADUALITY AND PROGRESSIVITY

After examining the proposals of all the participants the Community considers that the best way to ensure a smooth integration and an orderly development of trade is to divide the transition period into intermediate stages, thereby incorporating the principle of graduality. The dates and duration of the different stages should be determined during the current negotiations. As regards the duration of these stages, one could simply envisage that each stage would be of the same length. While not excluding this, it might be preferable to envisage a longer duration for the first stage. This would have the merit of giving a longer planning horizon both to importing and exporting countries in the first years of the integration process while their industries establish new business strategies; it would also give participating countries more time to make progress with implementation of the results of the Uruguay Round in the field of strengthened GATT rules and disciplines. A longer first stage should also provide a good basis for a successful continuation of the integration process.

Participants should ensure that the process of integration within each individual stage contains elements of progressivity. For example, as regards existing restrictions, a combination of abolishing restrictions and improved market access through measures related to growth and flexibility for those remaining would fulfill this purpose. Similarly as regards application of strengthened GATT rules and disciplines, elements such as implementation and binding of tariff cuts, abolition of NTBs, phasing out of subsidies, implementation of relevant laws and regulations etc. should in parallel form part of the progressivity.

### SURVEILLANCE MECHANISM

To be credible the integration process must be viable. Consequently a workable and efficient surveillance mechanism is required. At the last meeting of the Group, the Community noted the absence of precise proposals for this mechanism. In the Community's view the surveillance mechanism should consist of a body which would be responsible for questions relating to the transition process and not just for all the progressive elimination of MFA restrictions. In terms of its composition and operation, the Community thinks that the surveillance body should be inspired to a large extent by the current TSB, duly strengthened to cope effectively with all aspects of the transition process.

One of the most important roles of the surveillance body would be to verify that measures taken are in conformity with the agreed transitional regime. As regards the progressive elimination of restrictions (MFA and others), notification, review and other aspects of its work would be similar to the current TSB. As regards obligations in the field of strengthened GATT rules and disciplines, notification to the surveillance body should be related for reasons of simplicity to notifications or reports to other GATT committees responsible for the implementation and application of the GATT rules and disciplines, to the extent that they are relevant to the textiles sector. In this respect the new surveillance body would have to develop the details of its own working procedures. In dispute cases concerning rules and disciplines the surveillance body would obviously have to take into account the notifications and reports of the other GATT committees.

The surveillance body would have to make recommendations and participating countries would be obliged to apply in full these recommendations. In the case of non-acceptance by one or more parties of a recommendation, or in the event of one or more parties being unable to conform with the recommendations, justification would have to be presented to the surveillance body. Since under the transition process other elements than those currently included in the MFA would be relevant for surveillance, the Community proposes that in light of this justification, the body could authorize, if appropriate, recourse to the GATT dispute settlement mechanism. However, it will be essential to develop procedures to ensure that such cases are kept to the absolute minimum and that the surveillance body will settle almost all cases on its own authority.

VERIFICATION MECHANISM

The Community considers that multilateral verification of the implementation of commitments will become necessary during the transition from one stage to another in line with the final decisions of the Uruguay Round Negotiations. During this verification process it would be necessary to ensure that commitments undertaken both in the context of the progressive elimination of restrictions and of the application of strengthened GATT rules and disciplines have been respected.

Verification would be the task of the assembly of the signatories, hereafter named the Committee, on the basis of a report from the surveillance body. The Committee would be the ultimate policy decision body as regards the transition process. For the purpose of verification, it should meet at the latest at the end of each stage to endorse at the multilateral level the transition to the next stage. If a party takes the view that another party is not respecting its commitments, thus impairing the process of parallelism the party in question should notify the surveillance body well in advance of the verification meeting - 6 months would seem to be a reasonable period. The surveillance body would review the case and issue a recommendation to the Committee which then will decide the terms under which the transition to the next stage should take place for the parties concerned. Such a recommendation might consist of authorizing recourse to the GATT dispute settlement mechanism. In this case the surveillance body could also recommend provisional measures to the parties involved. In all its recommendations the surveillance body would be bound to take account of the proportionality of the measures concerned.

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The Community has developed these ideas using mechanisms familiar to all participants so that in the organisational elements of the transition period as in other aspects the degree of uncertainty is minimal. For these reasons the Community considers that its proposed structures are workable and can be easily implemented, a factor which adds to the element of predictability and confidence needed in the transition system.

The Community hopes that these ideas will be useful for the Group's discussions and for making progress with the negotiations.