

**MULTILATERAL TRADE  
NEGOTIATIONS  
THE URUGUAY ROUND**

RESTRICTED

MTN.GNG/TC/2

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Group of Negotiations on Goods (GATT)

Negotiating Group on Textiles and Clothing

MEETING OF 19 JULY 1991

Note by the Secretariat

Report By The Chairman on Informal Consultations

1. The Chairman recalled that, at its last meeting, held on 5 July 1991, the Group had considered a programme for its work and had identified some of the key areas which could benefit from further examination, particularly with respect to their more technical aspects. At that meeting, it had been pointed out that the draft text of an agreement on textiles and clothing, contained in document MTN.TNC/W/35/Rev.1, would provide a basis for further negotiation while the commentary attached thereto identified the main points of divergence. As a first step, however, it had been considered that particular emphasis should be placed on an examination and exchange of views on two of the key areas before the Group, product coverage in Annex II and the transitional safeguard mechanism in Article 6, with similar examination of other Articles to follow.

2. The Chairman also recalled that the Group had agreed that he would carry out consultations, focusing in the first instance on product coverage and the transitional safeguard, with the Negotiating Group being convened at appropriate intervals to receive reports on and to discuss the progress achieved. He reported that, on this basis, informal discussions had been held on 15 and 16 July 1991 which had focused primarily on the technical aspects of three topics: the Trade Data Paper of 29 May 1991; the formal request made at the 5 July meeting for further trade data (ref MTN.GNG/TC/2 paragraph 3); and product coverage in Annex II.

3. The Chairman expressed the view that the atmosphere in these consultations had been cooperative and that all participants had been prepared to examine matters in detail, with the common objective of arriving at a clearer and more predictable agreement in keeping with the negotiating basis contained in MTN.TNC/W/35/Rev.1.

4. He advised the Group that participants in the informal consultations had agreed that this process could be usefully continued to clarify other points, as necessary, starting with the transitional safeguard.

5. With respect to the specific subjects cited in paragraph 2, above, the Chairman reported the following:

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(a) On the Trade Data Paper, a number of amendments had been agreed and the Secretariat was in the process of incorporating these into the paper, after which a revision would be circulated. In examining this paper, the exporting countries had sought factual clarification on the status of a number of HS lines for products which they could not identify as being affected by restraints. For most of these products the importing participants concerned had explained that they were subject to either the group and aggregate limit provisions in the US bilateral agreements, or to the "basket exit mechanism" in the Community's agreements. This discussion had confirmed that differences continued to exist as regards the definition of a "restriction" in terms of the agreement presently being negotiated, and that this subject would have to be further examined before moving to the substantive negotiations.

(b) As regards the formal request for further trade data, participants had exchanged views on two questions: (i) whether all participants were in a position to provide the requested trade data (i.e., 1990 data in volume terms for each HS line in Annex II), and (ii) whether participants should be called upon to indicate which HS lines in this data were under any form of restriction. In the discussions, some of

the problems which developing countries would face in supplying such data were identified, that is, some did not use the HS system; some lacked up-to-date data; and some had no conversion system to arrive at a common basis of measure.

The proponents of the proposal had explained that the trade data being sought were intended as a necessary statistical starting point for entering into the integration programme referred to in Article 2. It had also been pointed out that participants who wished to retain the right to use the transitional safeguard (Article 6) must undertake such an integration process, unless they decided to forego it and thus would not have to provide trade data.

There had been no outright rejection of the proposal, but exporters had felt that the rationale was not yet clear. In response to the question of this data being relevant to the rules and disciplines of the Agreement, they had said that discussion was, at this stage, premature as these rules and disciplines were not yet known.

The Chairman proposed that this matter should be revisited at a later stage when the situation was clearer.

(c) On the question of product coverage (Annex II), there had been a lengthy exchange of views on what should be the criteria for the composition of this Annex. The ITCB members had made a specific proposal that certain groups of products should be excluded from Annex II. In respect of each of these product groupings, ITCB members had suggested criteria for such exclusions. Through a detailed exchange of views, it had become clear that work should start by focusing on the "product" approach and in this context, the ITCB members'

proposals had been extensively examined. The Chairman said that in view of the great importance of this subject, there should be a further examination of it before moving to the phase of substantive negotiations.

6. In conclusion, the Chairman noted that, in spite of the lengthy discussion, it had not been possible to touch upon all of the issues identified at the 5 July meeting. He proposed to continue the process of consultations, both in July and very early in the Autumn. The Chairman received the Group's approval of the description in his report and of his suggestion on how to proceed further.

Continuation of Substantive Negotiations on Modalities for the Integration of the Textiles and Clothing Sector into GATT

7. The Chairman suggested that, as the Group was currently concentrating its energies on the more technical aspects of the work before it, the time might not yet have arrived to launch into the negotiation of substantive matters. He noted, nevertheless, that a very close relationship existed between the technical discussions and the substantive negotiation process. One participant said that, in continuing the informal technical work, consideration of any one subject should not be made conditional upon any other subject being taken up. In response, the Chairman recalled the overall understanding, applicable to textiles and to all other areas of the Uruguay Round, that nothing was settled until everything was settled.

Date of Next Meeting

8. In considering the schedule for further meetings, the Chairman emphasized that the Secretariat would be using any available period of time to push forward the technical discussions and for this purpose he requested participants to remain on call. He also observed that the period following the summer break, up to the end of the year, was very short and participants should be prepared in that period for intensive negotiations. As to a specific date for the next formal meeting, he suggested that the Group should meet on or very close to 30 September 1991.