1. At the meeting of the Committee held on 22-27 October 1980, it was agreed that statements by individual delegations wishing their observations to be reproduced in full would be included in Annex II to the Committee's report (see COM.TEX/19, paragraph 3).

2. Accordingly, this Annex contains statements by representatives of the following countries: EEC, United States, Colombia, Pakistan, Korea, Peru, Malaysia (on behalf of ASEAN countries), Brazil, Japan, Sri Lanka, Canada, Poland, Finland, Egypt, India, Philippines, and Indonesia.

1/ Annex I contains the statement made by Colombia on behalf of developing countries, see COM.TEX/19.
Statement by the Representative of the European Economic Community

1. The purpose of our meeting today is to conduct the major review of the renewed MFA in the light of its operation in the preceding years. No-one will pretend this is an easy task. We have at our disposal trade statistics covering little more than half the period of the extended Arrangement and even less when it comes to production and other data. Thus, we have no record of the rapidly deteriorating situation in the most recent past. There is much evidence that, in many countries, inter alia in the EEC, the world recession is hitting the textiles and clothing sector particularly hard and we cannot be sure when the up-turn will come. Therefore it is questionable whether, in today's conditions, the basic objectives as set out in Article I can be attained to the full satisfaction of any of us. Among exporting countries, it will no doubt be said that "the reductions of barriers and the progressive liberalization of world trade in textile products" has not happened, or at least not to a sufficient degree. Importers will argue that the "orderly and equitable development of this trade and the avoidance of disruptive effects in individual markets" has been far from adequately ensured. We must accept, that the MFA, whatever its merits, is no panacea for all the trouble besetting the world's textiles and clothing industries.

2. We have before us three reports to assist us in our deliberations. First, the report of the TSB on the operation of the Arrangement. This is a valuable and exhaustive report on the manner in which the renewed MFA has functioned thus far, and it deserves our appreciation. The report highlights the special rôle which the TSB plays, under the distinguished and able guidance of Ambassador Wurth, in reviewing agreements and other measures taken under the MFA, in dispute settlements including conciliation between participants and in undertaking special assignments such as the Catalogue of Variations from Annex B.

3. The TSB report confirms the moderation which has generally prevailed in the use made of the "reasonable departure" provisions of the Protocol of Extension; and I would recall on this occasion that the European Community, which had asked for this provision in 1977, had recourse to departures only in the particular situation of the textile negotiations which took place in the autumn of that year.

4. As far as it can, the TSB report also goes into the question of restrictions maintained by participating countries, and the Annexes to the report constitute a useful compilation in this regard. The TSB limited its review to quantitative restrictions, given the difficulties involved in documenting other, and in particular the more subtle restrictions on trade. The endeavours during the MTN negotiations to come to grips with these types of restrictions showed how difficult the problem is.
5. But we must be aware of these other impediments to international trade in textile products, because they are numerous and they contribute significantly to the distortion of trade. Furthermore, studies recently undertaken tend to show that in a number of countries the principles of comparative advantage in textiles trade, upheld on Article 1:4 of the MFA, tend to be distorted by many different forms of government intervention. Let there be no illusions: the MFA objective of liberalizing world textiles trade cannot be realized by simply getting rid of quantitative import restrictions. We must recognize that distortion is a feature of textiles trade fuelled in many different ways and in many different countries.

6. In this context there is another part of the TSB's report which deserves particular attention. I refer to the chapter on tariffs on textile and clothing products following the Tokyo Round. If this chapter is less than fully informative, this is no doubt due to the fact that tariff matters do not normally fall within the purview of the TSB's activities.

7. However, given the influence of tariffs on the flows of world textile trade, it is regrettable that we do not have at our disposal today a full tabulation of who applies what tariffs in the textiles and clothing sectors and an assessment of their effects. The level of tariffs applied by a participant to this Arrangement has a direct bearing on the quantitative access to the market which that participant feels able to provide. The Community believes that "the reduction of barriers to trade" in the words of Article 1 of the MFA cannot be measured without taking into account individual tariffs, some of which constitute a virtual prohibition of trade by virtue of their high level. In this connexion I might mention that the Community's Generalized Preference Scheme provides market access at Zero duty for an appreciable proportion of EC imports, particularly from the least developed countries.

8. As regards the second report prepared by the GATT Secretariat on developments in consumption, production and trade, my delegation is conscious of the enormous work which has gone into its preparation, and we would wish to record our appreciation to all concerned in the production of this information. The result is a particularly valuable analysis of trends during the period 1973-79 in the textiles and clothing sector with special emphasis on the last two years covering the extended Arrangement. There is perhaps one missing element, namely the lack of statistics on total demand for textile products. Something on the lines of the statistics formerly provided by the FAO would help greatly, and we wonder whether the secretariat might consider furnishing such data in the future.

9. The report rightly stresses the rapid growth of trade between members of the MFA during the years under discussion. This growth has undoubtedly affected textile and clothing trade from developing countries to developed countries as well as trade between developed countries. Over the same period consumption in the developed countries progressed only very modestly and production tended to stagnate. It follows that the benefit of the available market increase has mostly accrued to imported supplies.
10. Insofar as the Community is concerned these trends were further accentuated by a mere 7 per cent rise in consumption over 1973-79 accompanied by an actual decline in production in both textiles and clothing. Taken together with the enormous rise in the Community's imports during this time of 105 per cent in volume and much more still in value terms, it is no wonder that the pressure on domestic industry became almost intolerable. Since 1973 the resulting loss of jobs in textiles and clothing has now reached well over 700,000, and I must regretfully add that the situation is still getting worse. Unfortunately also, the pressure of imports is not offset to an adequate degree by the Community's exports: there was a small surplus in the Community's clothing and textiles trade in 1973. This has since turned into a $3.6 billion deficit and the signs are that the 1980 imbalance will be greater still. These figures also demonstrate that adjustment in the Community's textile industry is proceeding apace.

11. I now come to the Report of Adjustment. The Community welcomes the fact that since the meeting of July a substantial number of additional and complementary submissions have been received. As a result, the material is certainly far more complete and balanced now and should allow the Working Group to analyze the considerable structural evolution which has taken place in the vast majority of participating countries. The Community can accept that the Working Group should continue with this task along the lines of the Group's Progress Report.

12. In conclusion, the Community believes that the benefits of the MFA for the development and stability of international textiles trade during the last two years have been considerable. Three years ago, there was a distinct possibility that the world trading system in textiles and clothing, insofar as it was governed by international rules, would break down. This has not happened. Instead, participating countries have by and large observed the provisions of the Arrangement. The result has been a continuing expansion of world textile trade since 1978 at a rate which defies many of the gloomier predictions of 1977.
Statement by the Representative of the United States

We are meeting here today to participate in "a major review of this Arrangement in the light of its operation in the preceding years". While the preceding years referred to in this quotation from the MFA would, technically speaking, have to be the years 1978 and 1979, I believe our interests will be better served if we place our review in a somewhat longer time frame - to take into account developments since January 1974, when the MFA first came into effect, through the first seven or eight months of 1980, the latest months for which we have data on what has been happening in terms of trade and production with respect to the United States.

Before embarking on this review, I do, however, want to take the opportunity to commend the Textiles Surveillance Body, the Working Group on Adjustment, and the GATT secretariat for the high quality of the reports provided to us.

We all understand, I think, and sympathize with the need for the Working Group to take some more time for its efforts. We do believe, however, that this process should be given sufficient priority to bring the project to completion as early as possible next year.

The work of the TSB is of another kind. Its report is complete and, in our view, it is excellent. While conclusions as to the overall operation of the Arrangement are not presented, the TSB provides a complete summary of notifications received and reviewed since 1 January 1978, as well as a unique presentation of the evolution of restrictions on trade in textiles during the same period. We recognize that this latter part of the report may not be absolutely definitive, but it seems to us to be by far the best summary prepared to date, and we would urge the TSB to continue and expand its efforts in this area.

And now a few words of praise, if I may, for the secretariat, for the work on the reports I have already mentioned and for the very excellent reports on production and trade. We will want to check some of the trends which are based on translating value data into volume data or indices. But this report clearly provides invaluable data for our work and we very much appreciate the effort that went into them.

These documents provide the basis for the main thrust of what I want to say today, for they demonstrate, I believe, that the MFA has, on the whole, served the participants of this Arrangement well during the past few years.
The MFA is far from being a perfect instrument for any of us, but it has clearly been a workable one. I believe the record will show on balance that it has worked in the interests of all participants.

But I do want to take a few minutes this morning to explain why the United States Delegation feels the way we do. The beginning point, is to look at the objectives of the MFA, and then to consider how well they have been met.

While the MFA has multiple objectives, the essence of these objectives is, we believe, to be found in the first sentence of Article 1, paragraph 2. I know, that many delegates can quote those words by heart, but I do think that they are worth repeating:

"2. The basic objectives shall be to achieve the expansion of trade, the reduction of barriers to such trade and the progressive liberalization of world trade in textile products, while at the same time ensuring the orderly and equitable development of this trade and avoidance of disruptive effects in individual markets and on individual lines of production in both importing and exporting countries."

I well recognize that many delegations here today place primary emphasis on the first clause of this sentence, while others, including this delegation, will stress the second clause, relating to the objective of "insuring the orderly and equitable development" of trade, without disrupting the markets of the importing countries or the reasonable growth of industries in the developing participants. But we must underline however, that they are both present, and both important.

When viewed in this light, we believe that MFA II, like MFA I before it, has provided an international framework flexible enough to enable the United States to continue to be responsive to the objectives of the MFA.

A quick look at the record will, I believe, document this point of view in terms of developments in trade and production and the United States response to them.

First, as shown in COM.TEX/W/75 trade between the United States and MFA countries with whom we have bilateral agreements has increased substantially over the period of both MFA I and MFA II.

Second, textile and clothing production in the United States on overall terms remained about the same in 1979 as it did in 1973, after a drop in 1977.

Third, United States employment has declined somewhat in both industries, and since production has remained relatively constant, this can be seen as a reflection of increased productivity.
Fourth, these developments were taking place in a period of slow increase in United States domestic consumption.

Fifth, when we consider these preceding four points together, we have a picture which shows that, on overall terms, United States imports of textiles and apparel have increased so as to account for virtually the entire increase in United States consumption during that period.

But as we all know, gross figures do not tell the whole story. In order to understand better what has been going on in the volatile worlds of the textile and apparel industries of the United States, it is necessary first to differentiate between these two industries and also to recognize that in both some lines of production have prospered, while others have been very hard hit.

In general, the United States textile mill industry has managed to adjust fairly well during the past few years. Production, which was off sharply in 1974 and 1975, recovered in 1979 to about 1973 levels. Last year the United States once again became a net exporter of basic textiles.

United States clothing industry has fared less well. Production was up in 1979 in overall terms from the levels of 1973, but down from 1977. Moreover, several lines of production have been very hard hit. The ratio of imports to domestic production for many categories has risen significantly, indicative of the fact that the United States has lost a significant section of the United States market to imports - mainly from developing countries - during the years of both MFA I and MFA II.

The picture that I have presented for 1978 and 1979 also hold true for the first seven months of 1980 as far as imports are concerned.

United States production figures are quite another matter however. The United States domestic production index for textiles has declined by some 11 per cent during the first seven months of 1980; the production index for apparel by over 7 per cent. At the same time United States imports are up more than 15 per cent in volume for the same period.

What has been the United States response to the developments of 1978, 1979 and 1980? In general it has been to operate on two parallel fronts in providing increased access to its textile and apparel markets in a way which it is hoped will not disrupt these markets too severely. As noted in our contribution to the report on adjustment (COM.TEX/16, pages 51 and 191) the United States has, on the one hand, allowed imports of apparel to increase substantially within the network of quotas negotiated with, or, in rare instances, imposed on exporting countries. On the other hand, the United States has progressively reduced the number of quotas in effect in the textile area to the point where actual restrictions on imports are virtually non-existent. The measures taken in both areas have been consistent with the provisions of Article 1:2 as well as Article 1:4.
In sum, we think MFA II, as MFA I, has served the international community reasonably well.

A further look at the record will show that the Arrangement as renewed in 1977 has many shortcomings and deficiencies. There is probably no one country whose delegation believes that all its interests have been furthered or protected. But the record should also show that many of these interests, interests of importing and exporting countries alike, have been accommodated in a mutually satisfactory manner. Our review here today should, I believe, be sure to take this mutuality of interests into account. Or to put it another way, I believe it is just as important to acknowledge our mutual need for goodwill and accommodation as it will be to take into account those areas where our interests are in real or apparent conflict.
Statement by the Representative of Colombia

My delegation fully supports the statement made by Ambassador Jaramillo, on behalf of all the developing countries, but I should like to stress the following points:

1. The participants seem to have erased Article 1:3 from the MFA, for a perusal of the proliferation of restrictions nowhere shows any application either of the letter or the spirit of its provisions, which state that a principal aim in the implementation of the MFA shall be to further the economic and social development of developing countries and to provide scope for a greater share for them in world trade in textile products.

2. It is a matter of concern to my delegation that the concept of market disruption is not clearly delineated in bilateral agreements. Of much greater concern, however, is the emergence of the new and menacing idea of "cumulative disruption", which is aimed directly at the developing countries and especially at the provisions of Article 6 of the MFA.

3. My delegation must draw attention, in most serious terms, to the part of the market being taken by countries not parties to the MFA, through generous bilateral agreements with importing countries. My delegation deems it appropriate to point out this fact, which is doing us considerable harm.

4. As on previous occasions, my delegation must today reaffirm its disagreement with what may be termed misuse of the clause favouring a small group of countries which has come to be called the "minimum viable production" clause and to be understood and used in a way that has impelled the TSB, in its well-known conciliatory language, to determine that the clause cannot be treated as a general waiver applicable to all elements of the MFA. If the agreements concluded on the basis of the MVP clause are analyzed, it is easy to see that while they appear to comply with minimum legal requirements, often in a way that is ridiculous, they do not bring the exporting country any economic advantage. This irritating situation must be changed.

5. Lastly, I should like to refer to the question of adjustment measures and their effect on unemployment, and to observe that while this phenomenon is a matter of concern to importing countries to the point of causing them to arrange for restraints that go beyond the provisions of the MFA, the situation of our countries in that regard is tragic. My delegation can provide impressive figures of unemployment in the textiles sector of Colombia, and both you, Mr. Chairman, and my colleagues at this meeting should consider what that means in the weak economy of a developing country, which has neither the resources nor the protective mechanisms of a developed country, and therefore, the seriousness of the situation is easily understandable. Let not this fact be overlooked, for we give it all the importance it deserves.
Statement by the Representative of Pakistan

My delegation endorses the statement made by the distinguished Ambassador of Colombia on behalf of the member developing exporting countries. Pakistan is one of the original signatories to the textile arrangements and has throughout keenly watched how MFA II operates to fulfil the objectives of expansion of textile trade of the developing countries. Today we have gathered to formally assess whether we are nearer the goal of GATT's envisaged free trade in textiles or whether the existing arrangements have taken us further away from that goal.

Pakistan had expressed its fear in 1977 that, contrary to what was being said, the Protocol of Extension with the Reasonable Departures Clause would result in departures by all importing countries. Those fears have been confirmed. My delegation would like to highlight the following three significant ways in which the developed countries have operated the Arrangement.

Firstly, the most serious departures were made through concepts, totally extraneous to even the provisions of the MFA II, such as that of cumulative market disruption. The introduction of the cumulative market disruption concept by some of the importing countries has practically abrogated Article 6 of the Arrangement which was meant to provide an orderly expansion of exports for emergent and small suppliers. The result has been the creation of a situation whereby not only is the volume of exports from developing countries being increasingly frozen into a static pattern in which emergent and small suppliers are being kept out but also the available growth in the market is being channelized to developed or non-MFA exporters. The effect of this on Pakistan is obvious from the figures in the documents which show a decline in its production of textiles and clothing.

The second most important departure was the extended use of the Reasonable Departures Clause by all the member importing countries against all the member exporting countries. Anticipating exactly this, Pakistan, it would be recalled, had opposed to the end the concept of Reasonable Departures. Assurances were given for its limited use by one member country but what has been the experience? Pakistan is a major cotton producing country but it ranks twenty-first in the ranks of exporter of clothing. Is it equitable to deny a major cotton producer the logical evolution to produce clothing and thereby add domestic value to the low value textiles which it presently exports.

The third category of departures are those which are ostensibly mutually bilaterally agreed but which, in view of the great disparity in the bargaining power of the two negotiating countries, are conducted under the threat of unilateral restraints. Under these circumstances, there exists hardly any line of distinction between Articles 3 and 4 of the Arrangement.
It is not difficult to delineate from the available statistical data the adverse impact of these departures on the exports of the developing countries. My delegation is sanguine that the Textiles Committee will take serious note of all these varieties of departures despite their inadequate mention in the reports by the secretariat. Our review should highlight the absence of a regular and smooth growth in the exports of developing countries during the currency of MFA II.
Statement by the Representative of the Republic of Korea

I would like to state that the statement made by Ambassador Jaramillo on behalf of developing countries enjoys full support of this delegation.

Since this is an important Textile Committee meeting for the major review of the operation of the MFA, I feel I shall have to make our own observation on some salient aspects.

Restrictions against imports from developing countries have further proliferated to a serious extent during the extended phase of the Arrangement by systematic and, in a sense, orchestrated deviations from the Arrangement by developed importing countries.

This has solely been due to the prevalent perception of developed countries that they could impose any type of restrictions in the name of negotiated agreement under the Article 4 and the Protocol of Extension.

The TSB report on major review illustrates numerous cases to that effect.

In this regard, several crucial elements shall have to be pointed out.

Firstly, relating to departures from MFA provisions. Reductions in base levels and reductions in access which TSB identified as departures went far beyond the permissible boundary of departures.

Secondly, absence of growth rate for specific categories. Certain developed countries have held the view that even if growth is not given to certain categories, providing a positive growth for overall levels meets the requirements of Annex B.

Absence of growth for individual categories clearly constitutes departures.

In considerable occasions, we find that even 0.2 per cent or 0.3 per cent growth has been granted to developing countries as a positive growth rate.

It is needless to say that such minimal, marginal growth is of no economic value and significance to exporters. Who would take it as positive growth? That is positive growth only for protected industry in importing countries.

Thirdly, this delegation deems that absence of Swing, Swing of less than 5 per cent, absence of Carry-over and Carry-forward and less liberal provisions are also impeccable departures from the Arrangement.
Developed importing countries have stressed that if departure is agreed upon, it is no more departure, it is mutually agreed arrangement between the governments. However, this is a world where agreements are not always being negotiated between equal negotiating partners. Everyone here is well aware how negotiations are being carried out.

Having said this, this delegation would like to register its reservations on some parts of comments made by the TSB in regard to base levels, growth rates, swing, carry-over and carry-forward. The concept of the net access has grossly been abused by certain developed countries.

Fourthly, with regard to market disruption. The TSB report on Evolution of Restrictions indicates that cases existed where certain products have been put under restrictions, even though their shares in total imports were really negligible and, thereby, there seemed no real risk of market disruption.

This is another instance of derogations and misuse of the relevant provisions. The TSB observation on market disruption and the risk of market disruption lacked this important element. That part of TSB report doesn't seem to be observation, it mainly dealt with procedures and practice related to review.

However, my reservations on TSB findings and observations are not to challenge TSB; competence per se. What is meant is that all these cases of departures have resulted from the vagueness of criteria set out in the Arrangement and the Protocol of Extension on the basis of which TSB has had to judge, and from the arbitrary interpretation and misuse of the relevant provisions by the developed countries.

Finally, as regards structural adjustment. If one looks at the Report of the Working Group, one finds that certain developed countries haven't taken any positive adjustment measures. This is a highly regrettable situation.

This delegation joins other delegations in endorsing the recommendation of the Working Group to continue its work. It is urged that developed countries provide the Working Group with comprehensive and detailed information on what has happened and is happening in their industry with the implementation of adjustment measures and on whether or not the changing pattern of their industry has led to increased market access for developing countries so that the Working Group will be able to present to this Committee a clear picture on this crucial issue early next year.
Statement by the Representative of Peru

The Peruvian delegation takes this opportunity to express its full agreement with the statement made by the Colombian representative in the name of the developing countries that are textile exporters, which reflects perfectly our own thinking.

Today's meeting of the Textiles Committee is opportune and very important; according to the convening notice, it is to review the Protocol Extending the Arrangement Regarding International Trade in Textiles, in the light of its operation in the preceding years.

In this perspective, it is absolutely necessary that countries survey the facts and examine their own conscience in order to avoid any recurrence of the problems that have been besetting the textile-exporting developing countries, and to create conditions which in the future will allow better and more open stability in trade in textiles.

The textile-exporting developing countries which signed the Multifibre Arrangement and the Protocol of Extension did so in the belief that fulfillment of its basic objectives - expansion of trade, reduction of trade barriers and progressive liberalization of world trade in textile products - would lead us, as indeed stated in Article 1:3 of the Multifibre Arrangement, to further the economic and social development of developing countries and secure a substantial increase in their export earnings and to provide scope for a greater share for them in world trade in these products.

That has not been the case, we can see without any doubt that the most pronounced feature in the operation of the Arrangement in recent years, as is apparent from the catalogue of variations prepared by the Textiles Surveillance Body, is the impressive increase in so-called "reasonable departures" to which developed countries have had recourse and which have done nothing else but limit and impair the exports of developing countries and erode the basic and principal objectives of the Multifibre Arrangement.

It is the understanding of the textile-exporting developing countries, that, in accordance with the text of the conclusions adopted by the Textiles Committee on 14 December 1977, such "reasonable departures" constituted a temporary solution that should be applied in limited form to solve the case of a "major importing participant".

Practice in recent years has shown us that all the principal developed importing countries have abused this concept, invoking it as a general and permanent exemption, and having increasing recourse to departures from the provisions of the Multifibre Arrangement which have largely impaired its functions of ensuring a balance between the interests of importing developed countries and of exporting developing countries; they have been eroding the letter of the Arrangement, imposing restrictions and engaging in protectionism which in the long run will result in a very considerable reduction in the
export earnings of developing countries at a decisive stage of their own development process - a stage at which our countries are beginning to participate actively in world trade - and will aggravate the problems we are encountering in servicing and reimbursing our external indebtedness.

It should also be mentioned that in counterpart, the Peruvian Government has recently eliminated all restrictions on trade in textiles.

The Protocol of Extension has been used as a legal basis for imposing restrictions. It has resulted in protectionist policy rather than trade liberalization; the Peruvian delegation considers, therefore, that it is not a valid instrument for solving the problems of trade in textiles, and believes firmly that if the Arrangement is to be extended or modified, this concept of "reasonable departures" must be deleted from it.

Another aspect to be underlined in developments in recent years and which considerably worsens the climate for trade in textiles is the fact that the governments of the developed countries have done little or nothing in the field of adjustment measures to facilitate increased access to their markets for textile products from developing countries.

It is quite clear that a solution to structural deficiencies and imbalances must not be sought in new forms of protectionism and limitations which by their very nature are only short-term remedies.

Only reconversion policies and detailed programmes of measures can contribute to check the increasing trend toward protectionism. It is significant that many of the statements made today, particularly by developing countries, have regretted the absence of such measures.

In these circumstances, we do not know what rôle the developed countries are disposed to offer to the developing countries in a new trade order and in effective participation in the direct benefits that can accrue from expansion of trade in textiles; hence there is a feeling of frustration that can worsen the current climate of international tension, at a time when we are laboriously seeking solutions for our trade.
Statement by the Representative of Malaysia

1. On behalf of the ASEAN countries, Indonesia, Philippines, Singapore, Thailand and Malaysia, I fully support the statement made by the distinguished delegate from Colombia on behalf of the developing countries. Like other developing countries ASEAN is generally disappointed with the workings, or rather, ineffectiveness of the MFA to date, ineffectiveness in the sense that it has worked always in a one-sided manner to the general detriment of developing countries.

2. This TSB report before us today clearly confirms the reservations and anxieties that many developing countries including ourselves in ASEAN have regarding the extended MFA. The report demonstrated to us that recourse to the reasonable departures provision on many occasions had been unjustified. This infamous provision with the equally infamous terminology of "market disruption" has become a popular sanctuary for many developed nations to argue for measures that are restrictive.

3. The developing countries in good faith "subscribed" to the new agreement and to the reasonable departures with the firm understanding that reasonable departures would constitute only temporary measures and they should precisely remain so. But the history of the extended MFA for the last three years has proved to be otherwise; it was marked by restrictive measures being imposed by the developed countries all along the way. The report of the TSB merely confirms our anxieties on the use of reasonable departures.

4. The spate of abuse has not merely stopped at the restrictive measures, but it has manifested itself through bilateral agreements with developing countries be they members of the MFA or not. Again the TSB report made references to these bilateral agreements and there were instances of "unreasonable departures" but these were left uncontested and unjustified. This is certainly symptomatic of the deteriorating state of affairs in international trade for textiles. The developing countries were hoping that an agreement on multifibre trade could serve as a mechanism for regulating and bringing about an orderly development of the trade in this important item. But the experience of the three years and the report of the TSB have reflected the inability and the lack of political will on the part of the developed countries to abide by the letter and spirit of this agreement.

5. Another important aspect within the concept of reasonable departure which we would like to emphasize and see it being observed is that developed countries should allow continuation of imports while bilateral consultations are being undertaken. This is vital to enable contractual obligation to be fulfilled.
6. There is yet another feature in the world trade for textiles that has a bearing on this departure problem. This point was taken up earlier by the distinguished delegate from Colombia in his remarks. If we care to peruse through the statistical data on the export-import patterns we will be able to discern a very interesting trend. The share of exports from developing MFA and non-MFA members has undergone relative changes. It will be noticed that developing non-members have a significant share of nearly a quarter of the total imports in the Community with smaller shares in the United States and Japan between the years 1977 and 1979. The shares show a rising trend in Canada, EC, Finland, Japan, Sweden and the United States. We are not complaining that the developing non-member countries are having a bigger share. We are all for an expansion of world trade in textiles particularly amongst those that are developing irrespective of whether they are members of the MFA or not. But what is important is reading between the lines, and while not wishing to jump to conclusions, such trend may lead to one interpretation: that the Law of the Jungle still prevails or I will go further as to say that a divide-and-rule policy is being practised. If this were to be so, then the developed countries' actions have certainly worked against the very grain of the MFA. On this question of reasonable departures, the representative of the EEC said that "these reasonable departures have been jointly agreed upon". "Agreement" is hardly the accurate term to describe the outcome of a negotiation between parties with unequal bargaining strength. Referring to the statement of the representative of the EEC which said that we had accepted the reasonable departures, accepted is hardly the proper word to be used when negotiations took place on unequal bargaining positions.

7. On the question of TSB, ASEAN maintains that such a body is an important vehicle for the operation of MFA. While we recognize the continuing need for a code of conduct for international trade in textiles, ASEAN considers it imperative that this surveillance mechanism be entrusted with the responsibility of the judicious examination of claims of market disruption as well as power to require parties concerned to desist from further action where claims of market disruption cannot be proven.

8. Finally, we all wish to see the developing countries getting a fairer share of world market expansion in textiles. This fairer share should be on the basis of freer market access and not on the basis of selective and discriminatory approach.
Statement by the Representative of Brazil

The Brazilian delegation gives its total support to the statement made by Ambassador Felipe Jaramillo, on behalf of the developing countries, exporters of textiles.

We totally share his concern as for the dramatic picture resulting from his sound and equitable analysis of the so-called major review. We share his comments, regarding the inadequate and confined nature of document COM.TEX/W/75 which, without a doubt, is not the sort of study, of analysis, of research or of thorough economic reflection that should necessarily accompany our major evaluation at the end of these two long and difficult years of the extended MFA.

During our last meeting in July, upon examining the so-called "catalogue of variations", the Brazilian delegation had the opportunity to express its deep concern over the protectionist wave made evident by the indices abundantly compiled by the TSB. And we stated that the marked loss of quality in a great number of bilateral agreements was the practical consequence on an abusive amplification of the 1978 protocol of extension with its "reasonable departures" clause.

The present "Major Review" seems to provide further evidence to confirm the preoccupations we then expressed. Here we find, individualized in a precise and detailed manner, what would have been the reasons, or the arguments, justifying the large number of variations detected last July. And we see that these justifications plainly are not to be found in the text of the Agreement. What, then, happened to the objective criteria for "market disruption"? What happened to the commitments relative to swing? How did growth rates equal to zero become possible?

The report answers many of these questions in a pragmatic manner. The answers, however, give rise to much more serious questions in our minds.

It is evident that the few specific cases of "reasonable departures" which we have before us are nothing more than the tip of an enormous iceberg — and I apologize for the use of a worn out cliche, yet so adequate to the present state of operation of the Multi-Fibre Agreement. For this iceberg, which the Textiles Surveillance Body has been kind enough to describe to us in detail, this huge mountain is nothing more, nothing less than the overwhelming loss of discipline which has characterized the functioning of the MFA as of 1978 — a true "departure atmosphere" serving to legitimize an infinity of practices and situations that would never have been accepted under the original Agreement. Or else, which might have been accepted, had they been soundly and correctly based upon the specific clauses built in the Agreement for such definite purposes.
It is distressing to find that in the present situation even the most extreme exceptions, which would only find justification under the most exceptional circumstances, seem to have been transformed into an every day, bread and butter routine. This state of affairs, of lack of discipline, of constant departures, requires thoughtful correction. An international agreement cannot work without defined disciplines. Even more so when the very nature of this agreement is to be, in itself, a significant departure from GATT law.

As far as the work on industrial adjustment is concerned, my delegation believes that more important than specific criticisms, should be a word of incentive and recognition. It would be appropriate for this Committee to praise the Working Group on Adjustment for the honesty and persistence with which its task is being carried out. The Working Group could have preferred the simple solution of simplistic formulae, and their inevitable rhetorical games. Nevertheless, it has consistently chosen to meet head on all the full complexity of the industrial adjustment problem.

Today we see that this question does not conform to generalizations nor to static analyses. Each country seeks to adjust itself according to its own modalities, according to its own policies, which can only be examined on an individual basis, according to the very logic of these modalities and of the economic system in which they insert themselves. At the same time it is clear that adjustment measures have their own dynamism, evolve with time, constantly changing to conform to economic situations in permanent movement. These are the two factors, individuality and dynamism, which need to be considered when dealing with adjustment questions, and the fact that the working group is so orienting its task is a solid reason for optimism.

Receiving a renewed mandate from this Committee, the working group has now a very precise obligation: to conclude its task bringing to this Committee not a disorganized heap of partial information, but a definite treatment of the problem in practical terms, which must give consistency and continuity to what has so far been treated in an emotional and episodic manner.

I believe that these grounds for concern can live perfectly well with the optimistic spirit which the Brazilian delegation pointed out in the last July's meeting. My country is convinced that we have been working in a very positive manner. Without a co-operative and understanding spirit, it would not have been possible to arrive at the degree of transparency which has been provided for in the variations catalogue, in the major review and in the work on adjustment. We should regard this co-operation as nothing more than natural, for we should not forget that the interests of exporting and importing countries of textile products are in fact complementary interests. If many times they take on a negative tone of opposition, or even of
confrontation, it is because specific sectors manage to enjoy a temporary influence substituting themselves for the broader national interests. We do not believe that situations as such will come to prevail. And it is in order to broaden our base of co-operation, our mutual knowledge and the degree of transparency of our discussions, that we give our support to the proposal of an extension of the study contained in the document COM.TEX/W/75, certain that we can equally count on the support and co-operation of importing countries.
Statement by the Representative of Japan

1. My delegation should also like to extend its appreciation to the TSB members and the secretariat for their joint efforts in preparing the report of the TSB to the Textiles Committee. My delegation should also like to extend its appreciation to the secretariat for its efforts in preparing the statistics and analysis on the trade and other economic conditions for the world textile and clothing industries. My delegation considers those documents extremely useful for us to conduct a major task today.

2. I should like to take this opportunity of explaining the situation of the Japanese textile and clothing industries since 1977.

The textile and clothing industries in Japan have been faring extremely difficult conditions: decline in international competitiveness owing to rapid development of the textile and clothing industries in the neighbouring countries, decline in domestic demand caused by stagnant consumers expenditures for textiles and clothing, change in export conditions owing to such factors as appreciation of the yen, etc.

Under the circumstances, the employment in the textiles and clothing industries in Japan decreased by 8 per cent between 1977 and 1979. Although the production showed a moderate recovering trend between 1977 and 1979, it still is far below the 1973 level when the first MFA negotiations took place.

The Japanese exports of textiles and clothing continued to decrease in quantity by 15 per cent annually on average between 1977 and 1979. Although exports are showing moderate recovery in 1980, it will remain below the 1977 level.

On the other hand, the Japanese imports of textiles and clothing increased rapidly between 1977 and 1979 by 111 per cent in quantity or by 117 per cent in value. Although the increase in imports is somewhat cooling off in 1980, the import penetration ratio or import demand ratio of textiles and clothing in Japan in quantity terms rose to 18 per cent in 1979 as compared to 12 per cent in 1977 and in quantity, around 90 per cent of the total Japanese imports of textiles and clothing are from either developing countries or State-trading countries.

Consequently, the trade balance of textiles and clothing was reduced to $0.8 billion in surplus in 1979 as compared to a surplus of $2.4 billion in 1977. With textiles and clothing and textile raw material combined together, trade balance showed $1 billion deficit in 1979 as compared to $1 billion surplus in 1977.
3. Although the Japanese textile and clothing industries are under such difficult conditions as I explained, Japan up to now has not introduced any restrictive measures on textiles and clothing items covered by the Arrangement. Under the circumstances, as is shown on the table of page 19 of the document COM.TEX/W/76, the share of exports to Japan in the total exports of the developing countries rose to 9.1 per cent in textiles and 8.7 per cent in clothing respectively in 1979 as compared to 4.8 per cent in textiles and 7.9 per cent in clothing respectively in 1977. In other words, Japan is now absorbing around 9 per cent of the total textiles and clothing exports of the developing countries.

4. Under the difficult conditions the Japanese textile and clothing industries are making strenuous efforts for adjustment as stated in the document COM.TEX/16 and its revision.

However, I should like to take this opportunity of pointing out again that the sudden and disruptive increase of imports has unfavourable effects on securing validity to the adjustment efforts.

At this occasion I should like to express the view of my Government that the Arrangement has continued to function effectively as a framework for adjusting the interests of exporting countries with those of importing countries in the spirit of co-operation despite all the difficulties and problems raised today and during the former meetings of the Textiles Committee and that the TSB has played an important rôle in securing the effective functioning of the Arrangement.

In this connexion, my delegation should like to express its appreciation for the able and fair chairmanship of Ambassador Wurth who has chaired the TSB since the beginning of the Arrangement.
Statement by the Representative of Sri Lanka

1. My delegation supports the statement made on behalf of the developing countries by the distinguished Ambassador of Colombia.

2. As we complete the penultimate year of the extended MFA, it may be pertinent to examine whether any of the objectives of the extended Agreement have been achieved. An analysis of the world trade in textiles and clothing indicates that international trade in textiles has continued to be dominated by the developed countries whose exports accounted for over 70 per cent of world exports in 1978. Between 1970 and 1978 the developing country share of total world exports of textiles increased by only 5.1 per cent or by $6.5 billion, as compared to an increase for developed countries of $19.3 billion. In the case of clothing the exports of developed countries accounted for more than half of world trade in these products in 1978. Intra-trade between the developed countries alone over the period 1970-78 increased by $1 billion which is more than the increment of developing countries exports to developed countries. Another set of available figures indicates the low share of imports from developing countries in the total consumption of developed country markets. For clothing the ratio of imports from developing countries to total apparent consumption was around 7.5 per cent for the three main developed importing markets whilst in the case of textiles, the figures were considerably less. Figures such as these cast serious doubts on the validity of the extravagant claims made at the time of the renegotiation of the extended MFA of the threat posed by developing country imports.

3. The secretariat document COM.TEX/W/75 shows that for the developed countries as a whole, production of clothing grew by 11 per cent in 1976, and after a further increase in 1977, suffered a marginal decline in 1978 and then recovered in 1979. This general upward trend in production was accompanied by a marked fall in employment. Since the movements in production and employment have not been in step, there must be other factors which are responsible for the decline in employment. Some empirical studies made recently analyzing this problem particularly in the United States and United Kingdom reveal that the most important contributing factor in both the textiles and clothing sectors for the decline in employment has been technological change. The secretariat study also confirms that labour productivity in developed countries generally increased markedly throughout the period under review, i.e. from 1973 to 1979. The loss of employment in both sectors due to global imports is less than 1 per cent per year.

4. Another aspect which deserves to be highlighted is the importance of reverse trade flows in the textile and clothing sectors. While most of the developing countries are important exporters of textiles and clothing they are
also substantial importers from the developed countries of the raw materials, intermediate inputs and machinery that are used in producing textiles and clothing. In common with many developing exporting countries, Sri Lanka has been a net importer of textile products. There is a high import content in our exports and the gain to them from exports of man-made fibre clothing consists largely of value added in converting imported yarns and fabrics into clothing.

5. What of the application of the concept of reasonable departures, which were intended to be temporary, in nature? It would be reasonable to expect that countries would revert to the original MFA during the lifetime of the extended MFA. This new concept which was primarily intended to deal with a short term problem of one major importing participant has upset the balance in the original MFA and encouraged protectionist policies rather than policies of trade liberalization. It is not even clear what constitutes "reasonable departure". In fact the TSB itself in their report (COM.TEX/SB/610) had identified only two types of "departures" - (a) a net reduction in access and (b) use of earlier base years than that provided for in Annex B. Other measures which are clearly inconsistent with the MFA in regard to flexibility, including swing, carry-over and carry-forward, growth rates, base years basket extractor mechanism have been euphemistically termed "variations". The TSB report has observed that many recent agreements have contained either no flexibility provisions at all, or have been lacking in one or the other. The report has however, failed to draw the logical conclusion that they constitute departures from the MFA.

6. The TSB has also spotlighted in its report the use of the concept of minimum viable production by certain countries. The TSB has held that whilst recognizing the right of a country to protect its minimum viable production, paragraph 6 of the understanding reached by the Textiles Committee in December 1977 could not be invoked as a general waiver of particular obligations under this Arrangement. My delegation does not wish to belabour this point, but I merely wish to draw the attention of this Committee to what we said on this question at the last meeting of the Committee in July. In this context, I would suggest that any future arrangement should include provision for minimum viable exports (MVE) for exporting countries. We are well aware that some quotas given to newcomers and small suppliers would be barely sufficient to sustain a cottage industry, let alone a reasonable sized viable textile plant.

7. As my Delegation stated at the last meeting of this Committee in July of this year, it was only very recently that Sri Lanka ventured into the highly competitive field of textile and clothing exports. We are basically a new entrant and small supplier in terms of paragraph 6 of the MFA. In spite of
our status as a new entrant and small supplier, Sri Lanka in the past few years has had to face restraints in the markets of the developed countries, i.e. in the EEC, Sweden, Norway, Canada and the United States. This, in spite of the fact that Article 6 provides for special treatment for new entrants and urges the importing countries to avoid placing restrictions on the exports of participants whose total volume of trade represents a small percentage of total imports. We find it wholly untenable that imports from countries like mine should be restricted while the same restrictions are not applied to imports from other developed countries. A very recent study entitled "Textile Quotas against Developing Countries" made for the Trade Policy Research Centre by two World Bank economists, Messrs. Keesing and Wolf has this to say on page 190.

I quote:

"Sri Lanka, which had only just begun to promote manufactured exports by setting up an export-processing zone, was subjected to an array of distressingly small Community quotas and shortly afterwards to quotas in Sweden and Norway as well – and now she has been asked to negotiate quotas in the United States. Yet Sri Lanka had a per caput GNP of $160 in 1977, a population of over 14 million in a crowded island and an unemployment rate of 17 per cent."

As I mentioned a few minutes ago, the United States has since concluded a restraints agreement with Sri Lanka.

8. The MFA as revised in 1977 has clearly dissatisfied most exporting developing countries. Ceilings have been imposed and applied only to developing country exports. Growth rates are low – much lower than the 6 per cent contained in the original MFA provisions. Some of the provisions relating to the grouping of categories and the determination of market disruption have added to the restrictive nature of the extended MFA. The arrangements on textiles have always been considered as being temporary, though they have been in operation for twenty years. Even so, the basic objectives of such arrangements was to progressivly liberalize world trade in textile products. The extended MFA has on the contrary resulted in world trade in textile products becoming more restrictive.

9. I realize that this may not be the best occasion to talk of the future, but what Sri Lanka seeks to ensure in any new arrangement that may be forged in the future, is that new entrants and small suppliers will be given special and preferential treatment in the markets of the importing developed countries.
Statement by the Representative of Canada

Canada has participated in the affairs of this Committee, and its predecessors over the last twenty years. We were Parties to the two Cotton Textile Arrangements and to their successor, the Multi-Fibre Arrangement. We welcome this opportunity to comment upon the operation of the MFA, especially over its past three years since its extension at the end of 1977.

We are mindful of the requirement in Article 10:4 to undertake a major review of the operation of the MFA before we consider, under Article 10:5, the future of the Arrangement.

In this regard we would like to thank the secretariat for the descriptive and statistical studies they have prepared for us. Not only will these prove useful to our deliberations this week but also in the work being undertaken in capitals in preparation for our discussions starting in December. In the same vein, we would like to thank the TSB for its contribution to the background documentation for our major review.

The documents before us, and the statements we have heard already this afternoon and at meetings earlier this year, demonstrate the diversity of interests which this Committee must address - a diversity of interests not only among importers - but also among exporters.

At its most simple level, industries have different strengths and weaknesses and are at different stages of development. Even in Canada there is a vast difference between the primary textile sector and the clothing sector. The primary textile sector has been highly rationalized, no longer produces a full range of products and many companies have adjusted to other, but related sectors. Some 50 per cent of our requirements are imported.

By contrast, the Canadian apparel industry is dispersed over 2,000 companies, many small and family owned competing strongly with one another. This sector has proven extremely vulnerable to import competition. Consequently we have experienced a high degree of import penetration - some 50 per cent of the Canadian market on a volume basis is supplied by imports - of which some 90 per cent, again on a volume basis, originates in non-OECD countries.

The structure of our industry and the level of our import penetration has very much influenced our experience under the MFA - an experience, probably quite different from that of other importing countries. During MFA I, Canada practised a very selective approach to import competition and negotiated only a limited number of product specific arrangements. In 1976, following a very rapid surge in imports of clothing - some 46 per cent - we introduced a temporary global quota under Article XIX of the GATT.
During the 1977 discussions on the renewal of the MFA, we sought a number of changes which would have facilitated Canada's return to arrangements under the MFA. In the event, the MFA was renewed through a protocol but Canada delayed accession until we were certain that our particular concerns could be met and until negotiation of bilateral arrangements with our major trading partners.

We are now coming to the last year of operation of MFA II and must come to some assessment of our experience under this Arrangement. While many of the faces around the table are familiar, the international trading environment is not the same and the problems facing individual countries, both importers and exporters, are not the same. These are not two homogeneous groups and the experience of individual members of each group has not been identical. The documents before us clearly demonstrate this. For example, the import penetration experienced by individual importing members varies widely, as does the range of products subject to restraint under various bilateral arrangements. Similarly the participation rate by individual exporting members in importers' markets varies widely - consequently the issues facing some members, such as Canada, differ markedly from those facing other so-called importers. Similarly the aspirations of individual exporting countries varies widely.

This major review provides us with an important opportunity to exchange views on the operation of the Arrangement and to complete the analysis found in the background documentation. In this task we should ensure that the analysis clearly indicates the diversity of experiences which individual members have faced during the operation of the MFA over the past seven years, so that in our deliberations on the future of the MFA, we can ensure, to the extent possible, that it will be of benefit to all participants, large or small.
In reviewing the operation of the Arrangement Regarding International Trade in Textiles and its influence on world trade, we must first of all bear in mind the fact that the Arrangement actually constitutes a waiver of the rules of the General Agreement on Tariffs and Trade. Over the years, the sphere of application of this waiver has been widened twice and the provisions of the General Agreement have thereby been increasingly departed from. This phenomenon is all the more dangerous as it concerns a production sector which for a number of countries, and especially developing countries, is of particular importance.

Poland's experience during the implementation of the extended Arrangement confirms the comments made by other delegations which contend that excessive use has been made of the "reasonable departure" clause and that such use may lead to the transformation of the MFA into a purely restrictive instrument.

We share the views expressed here by certain delegations to the effect that if account is taken of the temporary, limited and exceptional nature of the derogations accepted in December 1977 and of a certain improvement in production and competitiveness in most of the importing countries, it should be possible for those countries to return to the original objective of the MFA, namely reduction of barriers and progressive liberalization of trade. The aim of the MFA is not to preserve inefficient production but to promote industrial adjustment in the interests of expansion of world trade.

As regards the application of the Arrangement to Poland, we regret to say that we find ourselves in a particularly bad situation. Under the extended Arrangement, Poland is being subjected not only to variations from Annex B, as catalogued in document COM.TEX/SB/576, but also to other restrictive measures incompatible with the spirit and letter of the Arrangement. They are: reduction of the rate of annual growth of quotas, multiplication of categories and sub-categories, rigid distribution of quotas among different regions making full utilization of the quotas difficult or even impossible, and introduction of new quantitative limits. There is even a measure which is not envisaged in the Arrangement at all and which is of a doubly discriminatory character, namely a price clause.

In these circumstances, we find it really difficult to express our full satisfaction with the operation of the Arrangement.

We greatly appreciate the rôle played by the TSB in the implementation of the Arrangement. It is doing very useful and constructive work. What is more, we believe that that rôle must be strengthened in future.
We think that this could be done simply by making full use of the pre­rogatives given the TSB in the MFA. At present, the TSB in most cases expresses views on already established texts of bilateral agreements. It seems to us that it would be better to solicit the opinion of the TSB as to the concordance of a particular clause with the spirit and letter of the MFA in order to obtain an appropriate recommendation before the clause in question is finalized. Article 11 of the MFA endows the action of the TSB with great importance, inter alia because paragraph 8 of that Article requires countries to comply with its recommendations or to explain forthwith the reasons why they are unable to do so.

We support the proposal that the Working Group on Adjustment Measures should continue its work with a view to supplementing and intensifying its analysis of the data on that subject. We are also in favour of the additional studies proposed by the delegation of Colombia on behalf of the developing countries. That will provide us with further elements for evaluating the operation of the Arrangement, although we must acknowledge that the documentation prepared for the present session is very valuable and facilitates our task. It is therefore our duty to thank the secretariat for this very useful work.

In putting forward our objections to the way in which the extended MFA has been applied to Poland, it is not our intention to deny its merits completely. We have already spoken of the benefit derived from the international supervision by the TSB. There is in addition the benefit resulting from the provisions introducing discipline in protectionist measures. Although weakened by excessive utilization of the departures allowed since December 1977, that discipline has nevertheless produced a certain degree of security for our exports.
Statement by the Representative of Finland

I would like to start with a few words on the adjustment issue:

As you will recall, this is the third meeting of the Textiles Committee, where we are addressing the issue of adjustment, and the second meeting, where a report by the Working Group on Adjustment Measures is available. The present report has been limited to describing in a concise manner the kind of progress that the working group has been able to make. My delegation can agree with the report as well as the recommendation contained therein. At the same time we regret the fact that it has not been possible to get further in the proceedings of the working group. After two rounds of information requests, to either of which nearly all governments have responded, it ought to be possible to start an analysis of the information we have.

I think that all of us, who have participated in the proceedings of the working group and its sub-group have noticed a certain difference between what I would call "normal GATT-type working parties" and this group. I can well understand that the very complex task given to the working party has made it difficult to start compiling views of delegations on the subject matter before the working party. Many of us have found and continue to find themselves in a difficult position, when it comes to drawing definitive conclusions on what has happened in the fields of adjustment, production and related areas.

In spite of all these obvious difficulties my delegation wishes to emphasize that further and further prolongations of the process can be as counterproductive as would be a report listing perhaps somewhat differing views and having relatively few agreed conclusions. This is basically a matter of finding the highest realistic level of ambition in the working group. In our view an agreement on that level ought to be achieved as soon as possible, in order to enable the working group to fulfil, finally, its mandate according to the schedule recommended by it.

Since a number of delegations have commented on the concept of reasonable departures in a manner, which to us seems to be in contradiction not only with the established interpretation of the TSB but also with views previously expressed by representatives of exporting countries on a number of occasions, I would like to state for the record what the views of my delegation are on that subject. Firstly we have never accepted the view that reasonable departures could be invoked by only one importing participant, the protocol of extension does not say a word to that effect, and it would be a very strange kind of discriminatory interpretation. Secondly we don't agree that the concept of reasonable departures be extended outside
of what has been called "reductions in net access". Thirdly we find it self-evident on the basis of all the documentation supplied that generalisations such as "departures have been used by all against all" are erroneous and regrettable. Quite obviously there seem to prevail a number of misunderstandings and confusions as to what is acceptable under specific provisions of the original MFA on the one hand, and what has to be justified under the provisions of the protocol of extension, notably paragraph 5:3. This is certainly a very complex issue, and I don't want to launch a lengthy debate thereon in this committee.

I limit myself to stating that in the view of my delegation the report of the TCB for the major review indeed gives a correct and balanced picture of the situation.

When it comes to Ambassador Jaramillo's proposal on behalf of the developing countries, regarding a further secretariat report, containing an assessment of the extent to which MFA objectives have been met, I have just a couple of comments thereon. I do not refuse the idea of further studies being made by the secretariat. I doubt their usefulness in the light of the very extensive documentation already available, but at the same time I could agree to give to the secretariat some further mandate, if that mandate were expressed in clear and objective terms. The word assessment combined with the concept of objectives does, however, imply value judgements, which we don't find appropriate in a mandate to be given to the secretariat. Like some of the previous speakers, I have also serious doubts on the timing aspect; it is hardly realistic to expect any in-depth studies to be available for the December meeting of this committee.
Statement by the Representative of Egypt

My delegation has listened with great care and interest to statements delivered by previous speakers chief among them statements made by Ambassador Jaramillo of Colombia on behalf of developing countries, which we fully endorse, and also statements delivered by the distinguished representatives of the big importing countries and groupings.

In the inaugural session yesterday the distinguished representative of the EEC mentioned that recession is hitting hard in the textiles sector; but it is also hitting hard in the steel sector and probably in few other sectors. The point is, when recession is set, the whole economy of a country gets affected and consequently the economies of other countries. As we all know, a prolonged period of low rates of expansion in world trade is expected and it would be increasingly difficult for developing countries to maintain the rate of growth of their exports and export earnings. That is the reason my delegation feels that all of us should collaborate to combat recession, as soon as possible. The application of any protectionist measures against textiles imports from developing countries in the next few years will no doubt aggravate the problem for both sides, developed and developing. The textiles industry in the developing countries represents, par excellence, the most important sector of industry employment-wise and production-wise. In addition export earnings from the textile industries account for the greater part of aggregate demand for capital goods manufactured by developed importing countries. Any further slackening in the aggregate demand will bring about adverse results on world economy. My delegation shares the view that the MFA has never been contemplated as a panacea for all the ills and troubles of the trade in textiles. When negotiated in 1973, developing countries had not thought the MFA an ideal remedy, but had accepted it as a compromise. The acceptance of the protocol of extension was a further compromise.

Without going deeper into other issues such as reasonable departures, erosion of the benefits of the MFA, carry-over, carry-forward, etc., it should be highly stressed once again that the gravity of the situation before us requires solutions and remedies proportionate with the magnitude and depth of the problem.
1. I wish all success to the new Chairman in his efforts for steering smoothly the negotiations regarding textiles which would begin early 1981. It would be a complex task. The complexity has been further emphasized by the various views expressed during this debate.

2. I fully endorse the statement made by Ambassador Jaramillo on behalf of the developing exporting countries. The MFA is a balanced document, but this balance is tempered by a few very important considerations. In the objectives, no doubt, there are two important points, namely liberalization of trade and orderly trade in textile sector as mentioned by the distinguished delegate from the US, but there are some other very important aims as mentioned in particular in paragraph 1.3, namely furthering the economic and social development of developing countries, securing a substantial increase in their export earnings from textile products, and providing greater share for them in the world trade in textiles. Besides, the Preamble also mentions about the particular importance of textiles trade for the economic and social development of the developing countries and also the need for facilitating the economic expansion of the developing countries and promoting their development. While reviewing the working of the MFA, one has to see how these important objectives have been fulfilled.

3. Some members have said that MFA has generally worked quite well and served the interests of all participants. When we see the picture carefully, the conclusion is bound to be different. In the Community, during the period 1977-79, the share of developing member countries' export of textiles has fallen from nearly 44 per cent to about 41 per cent and, at the same time, the share of developed member countries has increased from 23 per cent to nearly 24.5 per cent. In Canada, the developing member countries have faced a decline in their share from nearly 21.5 per cent to nearly 20 per cent. In Sweden too, the fall has been from 20 per cent to 17.5 per cent, and the share of the developed member countries has at the same time increased. Of course, in one major consuming country, namely the United States, the share of the developing countries has been increasing during this period. But, as mentioned above, the restrictions imposed on the developing member countries in most of the main developed country consuming markets have encouraged export from developed countries and depressed the export from developing member countries.

4. The sharing of the growth in consumer demand has also been quite unfavourable to the developing countries. During 1978, there was 7 per cent increase in the import in the EEC from the principal developed and developing countries. While the increase in case of developing countries' bilateral partners was only 0.26 per cent, most of the growth was taken over by the
developed countries. In 1979, whereas the developed countries' shared the growth up to 32 per cent, that shared by developing countries' bilateral partners was only 16 per cent. I am quoting these figures from the European Report publication dated 19 July 1980 and these percentages are in terms of volume. In Canada, taking the clothings, the share of three major developed suppliers grew by 7 per cent in 1978 whereas that of eight major developing countries suppliers under bilateral agreement declined by 7 per cent. In 1979, the developed countries increased their share by 11 per cent whereas developing countries' bilateral partners had to suffer a fall of 5 per cent. One can go on like this and the picture would appear to be similar in respect of many others.

5. In this background, the only inescapable conclusion is that MFA has worked decidedly for the advantage of the developed member countries as it has helped boosting up their trade in an unfettered manner while the developing countries exporters have been restrained. The check on export from the major exporting countries has not resulted in any advantage to the small and new suppliers as bilateral arrangements imposing restraints have been entered into by many developed countries even with them.

6. The developed countries in general have done very well in respect of the production in this sector. Certainly, there does not seem to be any reason for a cry regarding disaster in this sector. And, in any case, the restraints on the developing countries have not helped the domestic industry as exports from developed countries have been generally growing in many consuming countries.

7. When the textile industry in some major developed countries showed a revival in the recent past, particularly during 1979, there was no effort at liberalization. The restraints which came into being through the MFA appeared to attain a permanent feature. The MFA was meant to give a breathing time to the textile industry of the developed consuming countries so that there could be industrial adjustment, including moving over to more viable sectors. While this objective is yet to be achieved, the MFA has resulted in gradual vacation of market by the developing countries which is quite contrary to the basic objectives.

8. Most of the developed countries have taken very little interest at the Government level to facilitate and encourage structural adjustment. A few of them have indeed done a good job which is for others to follow. Nobody can believe that the legal system of the free market economy is proving to be an obstruction for encouraging structural adjustment as it is hardly proving
to be a handicap for imposing restrictions on trade. Under the circumstances, one has to conclude that while the developing countries have kept their part of the bargain in the MFA by restricting their exports, the developed countries have yet to keep their part of it by encouraging structural adjustment. What is needed is a determined political will in this regard in the developed countries.

9. Regarding reasonable departures, I reiterate the views expressed by Ambassador Jaramillo on behalf of the developing countries that we do not agree with the classifications made in the TSB report inasmuch as they have categorized only two features as departures, namely lower base level and lessening of market access. I would emphasize that derogation from MFA in other sectors, namely lower growth rate, swing, carry-over and carry forward, are all departures from MFA norms. TSB has to examine in all these cases whether these departures have been reasonable or not.

10. While talking of departures, I must mention the so-called basket extractor mechanism of the Community. Generally, we find that immediately when the stipulated trigger level in the agreement is reached, the member States in the Community start coming up with requests for consultation and imposing restraints. All this creates a good deal of uncertainty. The Community has to demonstrate market disruption before it can hope to have an agreement with a bilateral partner regarding restraint in these basket extractor cases.

11. While talking of MFA and textiles, we must be very cautious as we have to see it in the wider context of GATT. Just because arrangement in textiles is going on for a number of years now, we cannot accept it as a regular parallel law of international trade. For us, there is only one framework of such law and that is GATT. MFA is a derogation from the normal GATT and it should be seen in that context. If we do not move with caution, the whole GATT system will come under strain and the contracting parties have naturally to be concerned about it. As a contracting party of GATT India certainly feels very concerned in this regard. We have also to view MFA and related matters in the particular context of Part IV of GATT, and while doing so, we must bear in mind the basic objectives and the references in Preamble to the need for the economic expansion of the developing countries.
The distinguished Ambassador of Colombia has more than sufficiently articulated the preoccupations and legitimate concerns of the developing countries with respect to the discouraging manner in which the Arrangement has been implemented. My delegation can fully associate itself with his remarks, as well as with the remarks of the distinguished Malaysian representatives on behalf of ASEAN.

In recent meetings of this Committee, developing countries have often expressed dissatisfaction at the turn of events since the Arrangement was extended in 1977, foremost of which is the systematic erosion of its letter and spirit. The litany of omissions and commissions constantly eroding the delicate balance of interests between and among the participants is no case for celebration. This must be rectified.

The Arrangement has come to be perceived as a medium of discrimination against the export interests of the developing countries. Practices which have tightened the levers against utilization of this comparative advantage have proliferated in terms of coverage, intensity and scope. These selective actions have happened while the exports of most developed countries remained unrestrained. Some of these practices are mentioned in the TSB report.

On this point, please allow us to expand further what the TSB report says about reasonable departures, an area which has caused, without exaggeration, considerable difficulties to developing countries. Based on the experience of developing countries, the reasonable departure clause has severely curtailed the reference period under paragraph 1 of Annex B of the MFA in at least two ways. First, as the TSB report mentions, one importing entity had negotiated most 1978 restraint levels on the basis of 1976 figures. Second, and this continues to work particular hardship on developing countries, this same importing entity imposes new restraint levels based on an undefined reference period which in actual practice is invariably much shorter than the reference period provided for in Annex B. Since the TSB report is silent on this we wish to make it of record that this undefined reference period is, in reality, one of the most harmful ongoing departures, and one which must certainly be terminated within the shortest possible time in accordance with the Protocol.

What compounds the problem is that if the new restraint level is very low, exporters in developing countries find it impractical to utilize any portion of it since it would be a waste of time, money and effort to tap a market with very low levels. In short, a very low level is as bad as an absolute prohibition on imports.
Another departure, based on the experience of developing countries, is the ingenious manner in which restraint levels in one importing entity are further re-allocated within regions. A large aggregate restraint level may be offered, and on appearance, it indeed looks generous, but then it is re-allocated in particular regions with minimal regard to trade flows and existing demand patterns. More levels are re-allocated to regions where demand is low, while lower levels are re-allocated to regions with strong demand. In effect, the regional re-allocation operates to negate the optimum utilization of an otherwise generous aggregate restraint level. For developing countries, this is as bad as low aggregate restraint levels.

A further point on the reasonable departure clause. It has been said by delegates from certain importing countries that the reasonable departure clause is available to all importing countries. We beg to disagree. Paragraphs 5.2, 5.3 and 5.4 of the Understandings of the Protocol extending the MFA clearly indicate that the reasonable departure clause is applicable only to the "one major importing participant" mentioned in paragraph 5.2. To indiscriminately widen its coverage is to amend the spirit and letter of the Understandings of the Protocol.

Much has been said by exporting countries about the MVP and we concur with all that has been said particularly the fact that the MVP should not be utilized to abrogate or curtail flexibilities. The only point we want to stress here is that the MVP has been repeatedly invoked to justify ridiculously low growth levels, in dollar value ranging from $1,000 to $3,000 per annum. Such amounts are not even sufficient to cover the transportation costs of textile negotiators of MVP countries, but nevertheless they travel around the world to maintain the sanctity of the MVP, declaring that what they are offering are indeed generous amounts, and anything beyond that would cause untold economic damage to their economies. The framers of the MFA certainly did not have the slightest intention that the MVP should be interpreted this way, and if only in fairness to those who framed the MFA, we should state here and now that the MVP cannot be interpreted this way.

Paragraph 31 of COM.TEX/W/75 is illuminating in the sense that those who have invoked the concept of minimum viable production source their imports predominantly from other developed countries. The implication that only imports from the developing countries should be restrained as they disturb the nature of production in those areas is discriminatory. The observation of the TSB on many occasions in this regard continues to be valid.

Another point which has been raised time and again by the distinguished delegate from Hong Kong, is the time-frame of the reasonable departure clause. We concur that the reasonable departure clause cannot last the lifetime of MFA II. Being a temporary measure within a temporary restraint
régime, the reasonable departure clause should terminate prior to the expiration of MFA II, otherwise the mandatory requirement that the parties "shall return in the shortest possible time to the framework of the Arrangement" would be a meaningless formality.

We are now in the twilight of the lifetime of MFA II and the reasonable departures clause is still with us. When will this clause become functus officio? When will it cease to have effect? The reasonable departures clause is a derogation from the MFA, which is in itself a derogation from GATT. And as derogation from a derogation, this clause should be even more strictly construed than that from which it departs. Yet, the reasonable departures clause has not only been indiscriminately applied by importing countries, it even seems that it will last as long as MFA II. This certainly has never been the intention of those who accepted the clause. We now ask, when will the reasonable departures clause cease to have effect? It is time for this body to consider whether this clause must now come to an end.

It only remains to stress that further departures into grey areas should be avoided and that the concerned parties revert back to the normal disciplines. The exception to the rule should remain the exception and not the rule itself.

It is known that for the past two years, production in most of the developed countries had improved, accompanied by declines in employment and number of production units. The indicative link between production and employment reveals that import penetration from the developing countries is not the culprit, as we are widely made to believe.

There is no substitute to the one and only solution to current problems obtaining in the world textile and clothing trade - adjustment measures. Adjustment into more viable lines of production or into other sectors is the only alternative, and any other perceived solution is temporary and without lasting positive effects. We are under no illusion that adjustment is simple to undertake. Nevertheless, arguments that portray scattered difficulties cannot dilute the need for purposeful, deliberate and conscious efforts. The restraining countries should, therefore, fulfil their part of the bargain so as to facilitate realization of the objectives of the Arrangement on adjustment measures.

The MFA should not evolve, because it was not so intended, into an instrument which undermines the competitive edge of the developing countries. Its basic objectives remain supreme, its checks and balances should be maintained and the interest of all parties safeguarded. One cannot continue to live with the prospects of an unjust régime, and I know this sentiment is well shared by all.
Statement by the Representative of Indonesia

I would like to express the support and endorsement of the Indonesian delegation to the statement made by H.E. Ambassador Jaramillo of Colombia speaking on behalf of the developing countries. This delegation also fully associates itself with the statement made by Mr. Harun of Malaysia who has expressed the general feelings and aspirations of all ASEAN member countries. I shall therefore be brief and not repeat what has already been said by Ambassador Jaramillo and Mr. Harun yesterday, as well as other previous speakers from developing countries, but confine myself to some points of particular concern to my country.

We have repeatedly stated at previous sessions of this Committee that Indonesia is trying its very best to work towards the promotion and orderly expansion of trade in textiles based on the MFA principles and pledged to it its good faith. However, as a new entrant to the world trade in textiles, we have been disappointed that very often developed countries signatories of the MFA in the implementation of the Arrangement in the framework of bilateral agreements do not adhere to the spirit and the letter of those principles.

The distinguished delegate of Malaysia yesterday in his statement on behalf of ASEAN countries mentioned about the "Law of the jungle". Indeed, if we care to scrutinize bilateral agreements on trade in textiles between developed and developing countries, we will very often find that the dice is loaded in favour of the developed country. This is because many developed countries do not adhere to the spirit and principles of the MFA, but use their superior negotiating power to the detriment of its weaker trading partner.

Therefore, my delegation supports the call for strengthening the TSB and to improving the effectiveness of the MFA when extended again that it would safeguard and promote the legitimate interests of the developing countries.