1. The Textiles Committee held its tenth meeting under the 1981 Protocol of Extension on 5 June 1986. The agenda for the meeting was "Continuation of the discussion of the future of the MFA as required by Article 10:5 of the Arrangement".

2. The Chairman referred the Committee to the report of the last meeting which was contained in document COM.TEX/45. It was noted from that report that various delegations had stated their initial positions on the future of the MFA. He expected that delegations would address more specific points during the current meeting. He informed the meeting that recent informal consultations had addressed the general question of liberalization and its relationship with the new round of multilateral trade negotiations, as well as specific elements such as market access, growth rates, flexibility provisions, how to improve bilateral agreements, the question of coverage, special problems of developing countries, small suppliers, new entrants and mvp countries, import surge and structural adjustment. Noting that discussions were still preliminary and exploratory in nature, he said that he had the impression that it might be easier to reach convergent perceptions in some areas than in others; but on some basic issues, positions remained far apart, and some very real adjustment would have to be made before the Committee could arrive at general acceptable approaches or solutions. He concluded by saying that negotiations had not yet proceeded to considering how individual positions or views might be reconciled in the form of conclusions.

3. The representative of Mexico said that a decision to be taken on the future regime for international trade in textiles and clothing was of great importance to developing countries including Mexico. Increased access to the international market for the exports of these countries was needed in order to obtain the foreign currency necessary for development purposes and for the fulfilment of international commitments. Since the first MFA was negotiated, there had been no relaxation of restraints, and the balance in the Arrangement was completely upset by its implementation to the disadvantage of developing countries. The consultation provision had been abused, the special and preferential treatment to small suppliers and cotton producers were not honoured and in some cases, recommendations by the TSB had been ignored. Moreover, discrimination had produced trade distortion and substitution of suppliers in favour of developed countries whose exports were not subject to restrictions. This affected negatively the interests of
consumers in developed countries as well as the structural adjustment process taking place in industries. He noted with satisfaction that an important group of developed countries was taking the first step towards liberalization, and expressed the hope that this would be the beginning of a series of actions which would lead to a final solution involving elimination of exceptional treatment for that sector of trade. In view of the impossibility of reaching the final objective in the immediate future, Mexico was ready to support the extension of a legal framework for trade in textiles. Mexico was open as to the form of the instrument but it should contain at least the following fundamental elements: (a) the level of protection should not be increased; (b) firm and absolute commitments by importing countries to apply the provisions with flexibility, so that barriers restricting imports and industrial adjustment would be gradually eliminated; (c) suppliers not restricted under the MFA shall not be treated more favourably than exporting developing countries members of the Arrangement; (d) special and preferential treatment to small suppliers participating in the MFA should be ensured; (e) there should be no reciprocity from developing countries; and (f) the work of the Sub-Committee on Adjustment should be extended.

4. The representative of Hungary said that a predictable regime for international trade in textiles and clothing was in the interest of both importing and exporting countries. The longer-term objective of returning to GATT rules and principles could be facilitated either by future multilateral negotiations or a multilateral arrangement governing trade in textiles after 31 July 1986. To this end, the arrangement should contemplate more liberal terms and more flexibility in order to provide more access to the exports of countries now subject to restrictions. Therefore, bilateral agreements should provide for a reduction of coverage, the elimination of under-utilised quotas, and significant increase in growth rates and flexibility provisions. Such agreements should not contemplate measures or mechanisms unforeseen in the MFA like sub-division of categories or a price clause. Finally, there should be no request for reciprocity for the setting up a new regime or for making it more flexible.

5. The representative of Korea said that the problem facing international trade in textiles was that some countries were asking for more protection. Since contracting parties were expected to make commitments on standstill and rollback in the Ministerial meeting in September 1986, all credibility on such commitments would be lost if in July the Textile Committee set up a regime which was regressive.

6. The representative of Romania supported the statement by the representative of Columbia made on behalf of developing exporting countries during the last meeting. He expressed the hope that the on-going negotiations would lead to a gradual phase-out of restrictions according to an agreed time-table, and to a strengthening of the GATT. To achieve the goal of liberalization in textiles trade, the Committee should envisage a number of modalities like progressive increase of growth rates, non-discriminatory treatment to developing countries, reduction of product categories subject to restraint and improved surveillance mechanism.

7. The Chairman proposed, and the Committee agreed, that the next meeting would be held on 2-4 July 1986. He also proposed that after that meeting, the Committee would meet again on 21 July with a view to terminating its work by 25 July.