1. The Textiles Committee held its seventh meeting under the extended Arrangement between 14 and 20 July 1981. As agreed at its previous meeting, the agenda for the meeting was "Proposals regarding the extension, modification or discontinuance of the Protocol extending the Arrangement Regarding International Trade in Textiles".

2. The Chairman recalled the understanding reached at the last meeting\(^1\) that this agenda item would not exclude discussions on proposals regarding the extension, modification or discontinuance of the Arrangement itself.

3. The statements made by delegations are summarized in paragraphs 4 to below.

4. The representative of Colombia, speaking on behalf of developing exporting countries, presented seven proposals, circulated as documents COM.TEX/W/96-101 and 106.

5. Proposal No. 1 related to the concept of "minimum viable production" and established parameters for its non-discriminatory application. Proposal No. 2 tried to define more closely the concept of market disruption and proposed procedures for eliminating the subjective aspects of its application. Proposal No. 3 related to a time-bound programme of adjustment measures and its supervision by the Textiles Committee and the TSB. Proposal No. 4 reaffirmed the need for

\(^1\)Paragraph 73 of COM.TEX/23.
special treatment for new entrants, small suppliers and exporters of cotton textiles. Proposal No. 5 dealt with the phasing out of restrictions on exports from developing countries. Proposal No. 6 related to the dispute settlement procedures of Article 11 of the Arrangement, and to the rôle of the Textiles Surveillance Body. And lastly, proposal No. 7 related to the elimination of the "reasonable departures" clause.

6. The representative of Colombia noted that these proposals had the consensus of the entire group of developing exporting countries. He stated that they reserved the right to expand any of these proposals, to present further details as regards their operational aspects and if necessary, as negotiations proceeded, to present additional proposals. He stressed the importance which developing countries attached to these negotiations. He hoped to hear the views which the importing countries might put forward, in order to establish, as speedily as possible, a fruitful dialogue during the time at the disposal of the Committee.

7. The statement on behalf of the developing exporting countries was supported by representatives of exporting countries and by the observer from the People's Republic of China.

8. In his statement, circulated as document COM.TEX/W/102, the spokesman for the European Communities confirmed that the Community was ready to seek a renewal of the MFA which respected the objectives mentioned in the Preamble and Article 1, on the understanding that the Community could obtain satisfaction on a certain number of points. He stressed that the Community remained the world's main import market for textiles and clothing, and its imports from developing countries were greater than those of any other country.

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1/ A revised English translation was circulated in COM.TEX/W/102/Rev.1.
The situation of the textile industry in the Community had not improved since 1977; since 1980 there had been an increasing loss of jobs and a growing number of closures by manufacturing enterprises; and the rate of penetration of the market by imported products had continued to rise. At the same time, growth in consumption of the products in question scarcely exceeded one per cent. Thus, the future régime of textile imports into the Community must take account of the trend of consumption of these products.

9. A five-year period for a renewed Arrangement would ensure security for producers in the Community to develop their activities and obtain an equitable share of the market, while creating conditions for more intensive co-operation with developing countries at the commercial and industrial level.

10. Outlining commercial policy objectives, the Community spokesman stressed the need to remedy the industry's difficulties both through adjustment and by an overall approach to low-cost imports. Some differentiation of treatment according to product sensitivity and supplier country was necessary. In this connexion, the Community intended to propose for small suppliers and new entrants treatment adapted to their situation, different from that accorded to the most developed and most competitive countries. Moreover, there was a need for increasing access to the markets of exporting countries, in particular newly industrialized and State-trading countries.

11. The Community considered that there was an essential and necessary link between the conclusion of satisfactory bilateral agreements and the renewal of the MFA. Further, the Community would be determining its position concerning the modification of rates of development, base levels and flexibility rules in the context of the overall quantitative objective for imports from low-cost
supplier countries as a whole. It was the view of the Community that
generalized growth rates of 6 per cent annually would, under present
conditions, continue to provoke market disruption and hinder "the orderly and
equitable development of trade and avoidance of disruptive effects".

12. The Community also wished to have recognition, through appropriate
agreed provisions, of the right of importing countries to obtain a readjust­
ment of restrictions by the real country of origin, to compensate the effects
of fraudulent imports. Lastly, the principle of equity from the social point
of view deserved to be emphasized in an instrument such as the MFA.

13. In a second intervention in further clarification of his earlier state­
ment, in response to comments made by participants, the Community spokesman
stated that the intention of the Community to differentiate between low-cost
sources should be understood as being a way of ensuring greater benefits for
the less developed and less competitive countries, even though this would
mean less benefits for the more competitive and developed low-cost suppliers.

14. The Community was still considering its position on the possibility of
modifications in development rates, base levels and flexibility rules. While
he could not anticipate the final Community positions, the areas under
investigation included the possibility of overall reductions in base levels,
negative development rates and the waiving of flexibility rules in case of
economic recession. A principle to which the Community attached particular
importance was the need to take into account domestic consumption trends
when fixing growth rates for access.
15. The Community position on the need for improved access to the markets of newly-industrialized countries and State-trading countries was based on the belief that it was better to create opportunities for two-way trade, than to increase restrictions. There was, furthermore, a vital and necessary link between the satisfactory conclusion of bilateral agreements and the renewal of the MFA. This was the basis on which the Community was participating in the negotiations.

16. The representative of Canada stated that the policy for the Canadian textile and clothing industry for the 1980's, which had just been announced, consisted of two main elements, adjustment and trade policy. The adjustment policy was aimed at ensuring that Canada would have an efficient and modern textile industry, able to compete by the end of the decade within the normal rules of GATT, through the closure of non-viable firms and by aiding displaced workers and affected communities to find alternative economic activities. The Canadian Government wished to ensure that imports from all sources would not disrupt this process and frustrate orderly adjustment.

17. To achieve its trade policy objectives, the Canadian Government aimed to arrive at bilateral agreements with major suppliers within a satisfactory multilateral framework. In the absence of such a framework Canada had been able to make only limited progress during a series of bilateral discussions that had just been concluded. It was essential that by the end of this session of the Textiles Committee an assessment could be made as to the direction of discussions on the future of the MFA. Failure to make such progress at this session would bring into question the feasibility of meeting Canadian Government objectives on the basis of a bilateral approach.
18. Commenting on the proposals made by the developing exporting countries, the representative of Canada noted that they would need to be studied with great care. While understanding why such proposals had been made, he stressed that if progress was to be made at this meeting, there must be a realistic assessment of what was achievable. In his view, the statement by the EEC provided a basis for progress.

19. With regard to specific suggestions for clarification of the rules of the MFA, the representative of Canada noted that Canada could not accept the view that the MFA mandated minimum growth rates of 6 per cent. Growth rates must be more closely geared to a number of factors such as the size of the base level, the degree of import penetration, growth in the domestic market and the extent of disruption caused by these imports. In addition, the flexibility that resulted from the unlimited ability to swing from one product category and from the provisions for carry-over and carry forward defeated the purpose of ensuring the orderly development of trade. Canada did not believe that the rules of Annex B required such extensive flexibility. Moreover, Canada could not accept the view that every request to establish a specific restraint required proof that those imports by themselves, regardless of the value of trade from other suppliers, disrupted the Canadian market.

20. He also pointed out an apparent contradiction in Annex B, paragraph 1, concerning the establishment of base levels. The first part of the paragraph suggested that base levels should reflect recent trade patterns; the second, that they should be based on historical trade patterns. Maintaining base levels which bear little or no relationship to recent trade patterns would frustrate the overall objectives of the MFA. The gap that had developed
between restraint levels and shipment levels in the case of major suppliers had, by creating uncertainty, frustrated the orderly development of the market and Canada's adjustment objectives, and frustrated Canada's ability to provide greater access for new entrants and small suppliers. He said that Canada was not prepared to provide greater access to these countries solely at the expense of domestic industry.

21. Finally, the representative of Canada stated that, while Canada was flexible on how these problems could be addressed, they attached great importance to doing so without further delay.

22. The representative of Japan said that the MFA had continued to function effectively to adjust the interests of exporting countries with those of importing countries. There was a continuing necessity for a framework of international co-operation so that disruption in the markets of both importing and exporting countries could be avoided and there could be orderly and equitable development of trade.

23. He referred to the increasing difficulties of the textile industry in Japan. There had been a rapid development of textile industries in neighbouring countries and a decline in domestic demand. In 1978 there had been a sudden increase in imports and a decrease in exports. Though exports had shown a moderate recovery since 1979, the continuation of this trend was uncertain.

24. Noting that in spite of these difficulties Japan had not introduced any restrictions on imports under the MFA, he said that at the present time there was pressure from the textile industry to introduce such restrictions. If
sharp and disruptive increases in imports took place Japan would find it increasingly difficult to maintain an open market. However, Japan as a major exporter had great interests in the stable development of trade and the avoidance of market disruption.

25. Noting the effective rôle that the MFA had played so far in the stable development of trade, he feared that if a legal framework ceased to exist there would be disorderly conditions in the textile trade, and this could affect other areas of trade. The utmost efforts must be made to arrive at a mutually acceptable agreement so that there would be no gap at the end of the year when the present MFA ceased to be in force.

26. In a second intervention, the Japanese representative said that the need to modify the framework of the MFA had been recognized by both importing and exporting countries. However, proposals which required drastic changes of substance in the MFA, or which would be interpreted as inappropriate within its framework, were undesirable. Japan would at a later stage make proposals within the framework of Article 7 of the MFA, underlining the importance of bilateral exchanges of information. He hoped that all participating countries would seek realistic and practical ways to reconcile their concerns.

27. The representative of Czechoslovakia stated that his delegation favoured the renewal of the MFA in its original form, without the departure clause. The Arrangement should return to the concept of safeguards against market disruption caused by specific products in specific markets, and should abandon that of global containment of import penetration.

28. He felt that the negotiations should deal with problems centred on the application, enforcement and clarification of the rules of the 1973 Arrangement. In particular, the aims should be to define the concept of
market disruption and the criteria for the application of import restraints; to ensure a stronger multilateral surveillance of the "real risk of market disruption"; to discontinues the application of the "globalization" concept; to strengthen the flexibility provisions of the Arrangement; to dispense with artificial divisions between groups of countries (for example, the distinction between low-cost sources and others); to abandon any attempt to introduce a consumption clause; and to ensure that bilateral agreements were no less favourable than the provisions incorporated in the multilateral framework.

29. He emphasized that to increase the restrictiveness of the Multifibre Arrangement would not solve the problems of the textile industry. The maintenance of regulation of trade in textiles should not mean a general resort to protectionism in this sector. There was, in his view, a danger that the multilateral trading system would come under risk of collapse if further departures from the basic rules of GATT were authorized in such an important sector as textiles.

30. The representative of Poland recalled that the safeguard provisions were central to the Multifibre Arrangement. Quantitative restrictions within the Arrangement were intended to deal with a situation of market disruption. Market disruption was in turn defined in relation to a sharp and substantial increase in imports of particular products from particular sources, at prices substantially below those in the importing market, and causing serious damage to domestic producers. However, there was a disturbing tendency for some importing countries to try to make the price factor alone responsible for market disruption, and to add new alien elements to the notion of market disruption. He recalled that the price question was appropriately dealt
with, under the GATT system, in the codes on anti-dumping and on subsidies and countervailing duties. The price level at which goods were traded, was normally a sign of the competitiveness of particular countries. However, the EEC's bilateral agreements with planned economy countries included a price clause which comprised a penalty consisting of refusal of deliveries even before the outcome of consultations. There was no justification for this in international law. He questioned the justice of shifting the burden of adjustment, through protectionist policies, to weaker countries. He also stressed the inflationary and anti-competitive bias of such protectionist policies. Finally, he emphasized that only the notion of market disruption as defined in Annex A of the Arrangement was capable of serving the interests of all participating countries. Restrictions applied under the Arrangement should therefore be kept as selective as possible.

31. In a second statement, he replied to the EEC's request for a better access to newly industrialized and state-trading countries' textile markets that textile trade between Poland and EEC was more or less balanced, that Poland maintained no import restrictions and that consequently if any market access had to be improved, it was that of the Community. Moreover, the overall trade balance should be taken into account. It would be meaningless to seek to balance trade sector by sector.

32. In a third intervention, he regretted that developed importing countries had not yet been able to present concrete proposals. The abandoning of the 1977 Protocol of Extension was an absolute necessity, as the reasonable departure clause had seriously altered the specific character of the MFA. Developed importing countries should not seek the conclusion of more
restrictive bilateral agreements before the renewal of the MFA, as had occurred in 1977. Developing exporting countries' proposals should consequently be taken as a basis for negotiations. His country also supported the proposals made by Hungary, and was prepared to examine any new proposal in a constructive spirit provided they respected the fundamental objectives and principles of the MFA and did not discriminate between countries with different economic and social systems or at different levels of development. Finally he reserved the right to make any new proposals on issues of particular interest to Poland.

33. The representative of Korea stressed the need to restore discipline and balance to the MFA. Importing countries had largely ignored the principle and obligation of industrial adjustment and progressive liberalization of trade in textiles. They had introduced restraint measures selectively against "low-cost" developing suppliers and not against developed suppliers which sometimes had a higher market share. Small suppliers, new entrants and cotton textile exporters had been severely restrained despite Article 6 of the MFA, and additional trade measures had been taken despite the provisions of Article 9. He emphasized the need to reassert the basic principles of the MFA, and to bring about a more favourable environment in the textile trade.

34. The representative of Sweden, speaking on behalf of the Nordic countries, said that a failure to reach a new agreement would mean a return to the rules of GATT which, in his view, would lead to the risk of more rather than fewer restrictions.

35. Commenting on the difficult situation of textile industries in the Nordic countries, and their special characteristics, he stated that their situation had deteriorated. Imports of clothing at prices substantially

\footnote{\textit{COM.TEX/W/103 and 104}; see paragraph 53.}
below those prevailing in the domestic market had increased; domestic production had decreased. It was among the Nordic countries that was found the highest import penetration in the world in textiles and clothing and the highest per capita imports from the developing countries in the sector of clothing. 36. The special situation of the Nordic countries in textiles had been formally recognized in the MFA and the Protocol of Extension. However, the interpretation and implementation of the minimum viable production concept had been far from satisfactory. The basic objective of the Nordic countries in the forthcoming negotiations was to achieve a strong and more meaningful application of the "mvp" concept to cope with their special situation. They would study the proposals made by developing countries with great care; but they wished to make it perfectly clear that the retention of the "mvp" clause, and its improved application, was a pre-condition for their participating in a new arrangement. 37. He recalled that the relevant provisions of Article 1:2 were of a general nature and did not specify how damage to the minimum viable production should be avoided. The provision for lower positive growth rates set out in Annex B was only one factor in the situation; flexibility provisions (swing, carry-over and carry forward) were also too rigidly formulated in the original MFA. The concept of swing should only be applicable in cases where administrative difficulties would otherwise occur; and the principle of "carry forward" could also be questioned. There ought also to be room for some flexibility in choosing the reference period for bilateral agreements.
38. Since the difference between market disruption and real risk of market disruption could hardly be established in the critical situations facing the Nordic countries, they felt that the distinction between Articles 3 and 4 of the MFA had become obsolete. They would be interested in clarifying this aspect of the Arrangement. They had also listened with interest to suggestions from other importing countries including those related to fraud and circumvention. They wished to see the forthcoming negotiations concluded as rapidly as possible.

39. The representative of Mexico said that the developing exporting countries' proposals represented a realistic standpoint based on an objective and detailed analysis of the provisions of the MFA. Outlining some of the problems faced by Mexico, he referred to requests for consultations with a view to impose restrictions on exports from Mexico into one group of countries, of products which were in fact being imported in massive amounts, free of quantitative restrictions, from other sources, and the problem of the sub-division of quotas within the EEC on a regional basis. He also noted that although Mexico had experience with the functioning of two bilateral agreements, it had not been possible to find means for an adequate implementation of Article 6.6 of the Arrangement, and stated that he was considering the possibility of developing a proposal for submission in this regard in due course.

40. In a second intervention, commenting on the statements made by the EEC and the United States, he said that they did not refer to the agenda for this session, but to entirely new concepts. For example, the United States proposed an entirely new concept of market disruption, while the EEC set the concept aside while trying to establish criteria for rates of development, base levels and flexibility provisions based on global quantitative objectives. Importing countries should make counter-proposals with regard to the proposals made by the developing exporting countries. He expressed great concern at the fact

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1 COM.TEX/W/102 and Rev.1
2 COM.TEX/W/105
that the EEC seemed to be asking for the conclusion of new bilateral agreements before the renewal of the MFA, and emphasized that any bilateral actions should be put in the general framework of the multilateral arrangement.

41. In a third intervention, the representative of Mexico noted that if there was no return to the original framework of the Arrangement, and if further restrictions were applied to developing countries' textile exports, a new balance would have to be sought by exporting countries either through an increase in exports in other sectors or by more restrictive policies towards imports in general.

42. The representative of Jamaica said that he wished to see an improvement in the operation of the MFA, to ease restrictions which impaired the attainment of the objectives of developing countries. Jamaica, as a small developing country, with an open trading system, and a small supplier in terms of the MFA was on balance a net importer of textiles and clothing from its major industrialized trading partners. This imbalance in trade was further increased by imports of textile machinery, spare parts and related services. Jamaica's tariffs, based on the common external tariff of the CARICOM, provided evidence of a relatively open trading system, while even where exports of Jamaica to main markets were duty free there was provision for safeguards.

43. He recalled that Section III of Annex A of the Arrangement set out six characteristics to be taken into account in assessing market disruption: i.e. stage of development, importance of the textiles sector to the economy, the employment situation, the overall balance of trade in textiles, the trade balance with the importing country concerned and the overall balance of payments. It was difficult for small suppliers to earn the necessary foreign
exchange if they were restrained from maximizing their comparative advantage in an important and sensitive sector of their economies. He thus suggested that the relevant sections of the MFA should be amended explicitly to exclude the imposition of restrictions on small suppliers, and fully supported the proposals by developing countries in this regard.

44. In relation to the statement made by the Nordic countries regarding minimum viable production, he pointed to a lack of symmetry in the MFA, where on one hand a group of developed countries were concerned about market penetration to protect MVP, while, on the other hand, small suppliers facing restrictions on the small volume of their exports found their minimum viable production jeopardized.

45. The representative of the Philippines, speaking on behalf of the member countries of ASEAN, stated that the proposals presented by developing countries constituted a unity. ASEAN countries were, however, especially concerned with the application of Article 6:6 in relation to outward processing, particularly towards the Community. He was disappointed that not one of the developed countries had referred to the question of the protection and promotion of the interests of developing countries, which he considered the centre-piece of the Arrangement.

46. In a second intervention, he expressed his grave disappointment at the lack of progress and dialogue at the meeting, and the lack of specific proposals by developed countries. He hoped that the general statements made by the developed countries would, before the next meeting, be translated into specific texts for negotiation.
47. In his statement, circulated as COM.TEX/W/105, the representative of the United States noted the wide gaps between the starting positions of exporting and importing countries. While the United States held strongly to the view that a continuation of a suitable arrangement for textile trade was very much in the interest of all participants, it was necessary to seek pragmatic solutions which were mutually satisfactory.

48. The proposals made by developing countries would profoundly alter the MFA at a time when all importing countries had expressed concern regarding increased pressure from imports. The United States Government recognized and supported that one principal aim of the MFA was to further the economic and social development of the developing countries and secure a substantial increase in their export earnings from textile products. However, it was equally the intention of the MFA to ensure that the expansion of trade occurred in a framework of orderly and equitable development, avoiding disruptive effects in both importing and exporting countries. The proposals made by developing countries would, in his view, make these latter objectives virtually useless. In particular, the proposals relating to special treatment for new entrants, small suppliers and trade in cotton textiles - an area where the United States sought conscientiously to implement the provisions of the MFA - would open a loophole which could completely undermine efforts to achieve orderly expansion.

49. The United States representative also recognized that several importing participants had suggested significant alterations in the current MFA. While recognizing the circumstances prompting such proposals, the United States was in the first instance ready to examine whether ways could be
found to address these problems within the framework of the existing Arrangement, including the Protocol of Extension.

50. He recalled the United States' special concern with new, more complex aspects of market disruption, in particular the terms of growth and flexibility as well as the degree of utilization of large import quotas and market shares. In situations where imports from a few sources, or a single source, accounted for a substantial share of imports of particular products, the degree of growth in the importing country market took on particular importance in considering market disruption. Reasonable departures from particular elements of Articles 3 and 4 must be considered as possible solutions in the limited circumstances of such complex market disruption.

51. The United States also sought to reinforce the obligations, which they strongly believed to exist in the present MFA, to increase access for developed country exporters to markets of developing countries, particularly those with highly competitive textile industries, as well as to make explicit the right of importing countries, in consultation with exporting countries, to require retroactive adjustment of quotas to reflect correct country of origin in cases of circumvention of agreements.

52. In a second intervention at the close of the meeting, the United States representative said that the discussion had raised a number of points on which time was needed for reflection. However, in reply to questions raised by Brazil\(^1\), he could state definitively that the United States was not seeking to delay MFA negotiations; did not want to see the negotiations

\(^1\)See below, paragraph 85.
carry into 1982; and was not seeking to negotiate a bilateral agreement with Brazil this year.

53. The representative of Hungary stated that economic data showed that his country was in a situation similar to that of countries not subject to restrictions. He shared the concern expressed by the representative of the United States that negotiations should be pursued in a pragmatic way, and stated that a debate over the main objectives should not be re-opened. He noted the need to define the provisions of the MFA with a view to avoiding interpretation by the parties themselves. He introduced two proposals, circulated as COM.TEX/W/103 and 104, concerning price clauses in bilateral agreements and the need to limit restrictive measures to those provided for within the MFA.

54. He said that, as a starting point, both the EEC statement and the statement made by the representative of Colombia on behalf of developing exporting countries should be considered. With regard to the EEC statement, he noted that the Community had at the same time asked for the respect of the objectives set out in the Preamble and in Article 1 of the MFA and stressed the need to "obtain satisfaction on a number of essential elements" which were in fact departures from the MFA. It could not be accepted that a party reserve the right to depart from the main objectives embodied in the Arrangement. He asked how the "low-cost" countries could be defined, and whether they alone could be responsible for the situation of the textile industry in importing countries. Moreover, if the trend of consumption of textile products in the Community were to be taken into account in assessing its future import régime for textiles, he wondered whether the trend of EEC exports of such products would be taken into account. He also noted that
the idea of offering Community producers security for the development of their activities, in order to obtain an "equitable" share of the market, could only be acceptable if it were applied equally to exporting countries.

55. In addition, the overall approach outlined in paragraph 5 of the EEC statement\(^1\) seemed to be a departure from the principle of free trade.

56. With regard to market access (paragraph 7 of the EEC statement\(^1\)), he stated that the Community should not make distinctions between State-trading countries and other countries parties to the Arrangement. He questioned the compatibility of this approach with the General Agreement. He also queried whether the conclusion of bilateral agreements was for the EEC a pre-requisite for the conclusion of a new MFA.

57. The representative of Hungary supported the statement made by Colombia on behalf of the developing exporting countries. He said that the idea embodied in "Proposal 1"\(^2\) stating that "no supplier should be deemed to be causing damage to the minimum viable production of another participant before it has exceeded the level of imports from any other unrestrained source", should be generalized. In this respect, he noted that neither the importing nor the exporting countries had any intention of disrupting any market. They should thus be given identical treatment.

58. The representative of the United Kingdom speaking on behalf of Hong Kong said, in response to the statement made by Sweden, that in Hong Kong's view the growth formula was the only element in the MFA to which the minimum viable production concept applied. He rejected any possibility that swing, carryover and carry forward could be waived on the same basis. The only specific reference in the MFA to how the minimum viable production concept could be applied was in the second paragraph of Annex B.

\(^1\)COM.TEX/W/102 and Rev.1
\(^2\)COM.TEX/W/96
59. He recalled that in the negotiations for the MFA in 1973, swing, carry-over and carry forward had been included as compensating factors for the surrender of exporting countries' GATT rights. This was part of the checks and balances sought in return for restrictions. In this connexion, referring particularly to statements made by Canada and Sweden, which mentioned the possibility of reducing such flexibility provisions, he said that such requests would only increase the resistance of exporting countries to restrictions.

60. Referring to the concept of "low-cost countries" mentioned in the statement by the EEC, he noted that such a concept was outside the MFA and categorically rejected the concept itself and its application. The Community had again referred to a global or overall approach for low-cost imports. The GATT, said the representative of Hong Kong, did provide for a global approach. It was in fact the importing countries who had favoured a selective approach in the MFA.

61. The exporting countries had made proposals to liberalize restrictions applied to the trade of small suppliers and new entrants. These were far different from the concept of differentiation as suggested by the Community which in fact was only a step away from the concept of graduation, which the developing countries could not accept. It carried implications beyond textiles and could certainly not be discussed in a textiles forum. The developing countries had already some experience with differentiation in quotas under the current MFA when applied only to their exports. Statistics since 1977 showed very clearly that all the reductions in the quotas of the EEC's main suppliers had benefited only exports from developed countries or other countries not subject to the régime of the MFA.
62. He noted that developed countries had often stated that Article 1, paragraph 6, of the MFA protected them from the erosion of their GATT rights. In the same light, the import régimes maintained by developing countries were for development purposes and had been examined and sanctioned by the GATT. It was therefore quite unfair to criticize developing countries for maintaining such régimes, which were in any case more respectable than the import restrictions maintained by some developed countries.

63. Referring to the link made by the Community between the conclusion of bilateral agreements and the renewal of the MFA, he interpreted this as an attempt by the Community to conclude bilateral agreements without observing the disciplines of a multilateral instrument. He also refuted the assertion by the Community that growth rates of less than 6 per cent were permissible when they were necessary to ensure the orderly and equitable development of trade and avoidance of disruptive effects. In this connexion, the Community should refer to the proposals presented by developing countries on page 4, sub-paragraph (d) of COM.TEX/W/97. Moreover, the Community's suggestion that exporting countries should give workers better treatment seemed strange when considered along with the proposal to restrict exports further, which would give workers less work.

64. Commenting on the statement by the United States, he expressed disappointment at the categorical rejection of the proposals made by developing countries. To reject such proposals, while not making any proposals of their own, would certainly not contribute to rapid and meaningful negotiation on the future of the MFA.

65. Referring to repeated references by the EEC, United States, Canada and Sweden to situations of market disruption, the representative of Hong Kong noted that none of these participants had been able to prove any cases of market disruption in the past six or seven years.
66. The representative of Pakistan expressed the hope that the derogation from GATT principles represented by the MFA would end before it spread to other commodities. He asked for the recognition by developed countries of the fact that imports from developed countries and advances in technology were the main causes of the problems faced by importing countries. All MFA concepts, including market disruption, should be based on imports from all sources. His country was opposed to the concept of low-cost countries, together with that of cumulative market disruption, which were specially designed to discriminate against a selected number of countries.

67. He suggested that restrictions on cotton textiles and clothing should be ended, as a recognition of the right of developing countries to process their own raw materials and as a token of successful adjustment in at least some areas. He asked for the TSB to be given more meaningful powers to oversee bilateral relations under the MFA, with a view to correcting the imbalance of bargaining power between importing and exporting countries.

68. He stated that imports from new entrants, small suppliers and cotton producers should no longer be restricted, in implementation of the letter and spirit of Article 6 of the MFA. He finally expressed the view that, after twenty years of restrictions, the fact that developed importing countries were asking for more restrictions indicated that they had failed to adjust. In this respect he noted that, as the objectives laid down in Article 1:2 of the Arrangement had not been achieved in practice, some drastic changes were needed.
69. The representative of Colombia noted that there was general agreement on the desirability of regulating trade in textiles on a temporary basis, but not on the ways and means to do so. Noting the various points which had been put forward by exporting and importing countries, he stated that great progress could be made if it were clearly established that the standards set in the MFA were to be regarded as minima. Bilateral agreements should establish more favourable provisions for exporting countries than those laid down in the Arrangement.

70. He declared that the notion of low-cost imports, as proposed by the EEC in connexion with market disruption, should be rejected. It would, furthermore, be useful to learn the opinions of importing countries on the developing countries' proposals on new entrants and small suppliers, as well as the reaction of the Nordic countries to the proposal concerning minimum viable production. The Canadian proposals on base levels and growth should also be carefully examined.

71. There was now some basis for renegotiation of the MFA. The meeting should endeavour to clarify points of agreement and disagreement. He recalled the importance of reaching an early solution.

72. The representative of Yugoslavia stressed the importance of the textile industry for his country. A gradual but permanent reduction of existing restrictions was in the interest of both the importing and the exporting countries. Certain sectors of the textile industry in the developed countries were now able to meet any challenge. It was therefore time to seek a reduction in the number of products covered by the Arrangement.
73. He could not agree that developing exporting countries should be con­sidered in general as low-cost countries and thus made subject to restrictive measures. His country was at the same time an exporter and an importer of textile products. Neither could he accept that "low-cost" countries should be deemed to cause market disruption without prior evidence that a particular product or group of products coming from a particular country was the real cause of market disruption, as specified in the Arrangement. Such an attitude inhibited the development of competition, which was the fundamental principle of the Arrangement and of international trade.

74. Lower or negative growth rates would penalize MFA signatories, and in particular long-standing signatories, to the advantage of non-signatory countries or of developed signatory countries for which there were no limits. This could not be accepted. Moreover, he attached great importance to the retention of flexibility provisions.

75. The representative of Yugoslavia declared that the final objective of these negotiations should be a return to the basic principles of the Multifibre Arrangement as negotiated and accepted in 1973.

76. The representative of Brazil expressed his deep disappointment that developed countries had not tabled specific proposals. On this basis it was difficult to start meaningful and concrete negotiations. Besides, much of what was contained in some of the importing country statements would substantially modify the provisions of the MFA, and would even contradict the rules of GATT. He would like to see the suggestions formulated in appropriate legal language; it would then be evident that they did not relate to the extension, modification or discontinuance of the MFA, but
would imply a destruction of international trading rules, creating uncertainties which could affect all aspects of international trade. While understanding that importing countries faced problems, he did not believe that it was their intention to create such uncertainties.

77. He emphasized that there could be no comparison between the problems faced by the industries in importing countries and the problems of unemployment, balance of payments, and poverty confronting the developing countries. He was convinced that the problems which developed countries claimed to face did not have their origin in developing countries. He questioned whether even if these problems were of a fundamental nature it would justify the grave disruption of the international trading rules that would result.

78. Firstly, the concept of low-cost countries introduced in the Community statement was an innovation; it was not present in the MFA, GATT or any other international legal instrument. Further, low-cost countries, according to the Community definition, coincided with the developing countries. Developing countries had been so categorized to enable more favourable treatment to help them in the task of economic development. The concept now introduced sought to penalize these countries. As far as the MFA was concerned, there was no link between low-cost products as defined in the MFA and low-cost countries referred to in the Community statement.

79. Secondly, the notion that markets have limits, presented in paragraph 3 of the Community statement, was completely new and would imply actions contrary to Article XI of the GATT. The idea of linking growth of imports to domestic consumption, moreover, had no basis in the rules of GATT and would imply substantial modification of the rules of international trade.
80. He indicated the dangers involved in the ideas that a renewed MFA should allow a sufficiently long period to offer Community producers security for development of their activities, and that they could thus obtain an "equitable share of the market". If the five-year time period mentioned, implied that after that there would be no protection, that was an interesting idea, although it had been heard in the past without any resulting liberalization. Moreover, how could an "equitable share" of the market be determined? Such a concept, if implemented, would imply the collapse of any free trading system and had no basis in the General Agreement.

81. In relation to the assertion in paragraph 5 that imports of low-cost products, along with "other factors", were contributing significantly to the difficulties of the EEC industries, the representative of Brazil stated that it would be interesting to know what were the "other factors", which he believed were more important than the imports of low-cost products. Similarly, he looked forward to clarification of what the overall quantitative objectives mentioned by the Community were supposed to mean.

82. He noted that the idea of differentiation of treatment, while present in Article 6 of the Arrangement, referred fundamentally to the implementation of more favourable treatment for developing countries, and not to the use of a divisive tactic. In relation to the opening up of market access, he noted that the idea of discrimination against newly industrialized and State-trading countries had been widely objected to. Moreover, it was not envisaged in GATT that tariff reductions should be negotiated against safeguard measures, nor that measures accepted as taken for balance-of-payments reasons should be negotiable. He also questioned the legitimacy
of the motivation lying behind the link drawn by the Community between bilateral agreements and the multilateral arrangement.

83. He noted that, in contrast to the points made in relation to a higher frequency of market disruption in paragraph 10 of the EEC statement, the case for establishing market disruption had never been presented by importing countries either to exporting countries or the TSB. Independent of the frequency with which market disruption took place, it was necessary to demonstrate its existence. Finally, he noted that the concept of "equity from the social point of view", which pertained to another international forum, had no relevance to the GATT or the MFA.

84. In a second intervention, the representative of Brazil, commenting on the United States' statement, expressed his disappointment that no concrete proposals had been presented. The United States' statement took no initiatives, but only reacted to proposals coming from the developing countries, or other members of the MFA. The problems of the developing countries appeared to have no part in the "complex world" invoked by the United States. The proposals made by the developing countries, moreover, were far from radical, but rather aimed at conserving the principles of the MFA and the GATT. Reasonable departures were the element which had emasculated the MFA since 1977; the aim of the developing countries was to reach better understandings and interpretations of the Arrangement, without "reasonable departures". He noted that in his statement the United States representative, commenting on proposals made by certain importing countries, had noted that such proposals would require significant alterations in the MFA. He interpreted this statement to mean that the United States did not seek such significant alterations.

\[^{1}\text{See COM.TEX/W/105.}\]
85. He found it difficult to assess the concept of "complex market disruption". The basic problem stemmed from a total lack of use of Annex A. In this connexion, the suggestion that under-utilized quotas should be taken into consideration was untenable, as was the notion that a few sources or even a single source of imports had reached "excessive" levels. He said that quotas that were under-utilized were generally in those items where exporting countries had an insufficient production base, and were introduced to give some flexibility and encourage diversification. To propose to cut such quotas would question the good faith in which bilateral negotiations were conducted. The notion that a few sources or even a single source of imports had reached "excessive" levels was contrary to the GATT. He suggested that careful consideration be given to the implications for international trade if such concepts of diversification of sources and suppliers were introduced. In relation to opening up textile markets in developing countries, he stated that the appropriate forum for such questions would be either the Balance-of-Payments Committee or a future round of tariff negotiations. Finally, he asked the United States delegation three questions: whether it was their intention to delay the process of negotiations; whether they would wish to prolong the negotiations into 1982; and whether they would wish to see bilateral and multilateral negotiations coinciding in time.¹

86. The representative of India endorsed the statement made by the representative of Brazil and expressed a deep sense of disappointment that there could not be serious negotiations at this session of the Textiles

¹See above, paragraph 52.
Committee as the developed importing countries had not put forward any specific proposals.

87. The statements made so far by importing countries had contained nothing new. Moreover, many of the ideas that had been expressed had been heard through the press. The representative of India regretted that these same ideas were now presented to the Textiles Committee.

88. Underlining strongly what had already been said in this context by the representative of Brazil, he stated that concepts contained in importing country statements could not be condoned in the MFA, or under any existing international instrument. Such far-reaching concepts would completely alter the international trading system.

89. India was heartened to hear that importing countries would stand by the objectives of the MFA. What had been stated by the developed importing countries at this meeting, however, would depart from these very objectives and seriously limit the access for developing country exports. He went on to say that any departure from either the objectives or specific provisions of the MFA could not be accepted or contemplated in any future Arrangement. He further questioned whether bilateral discussions could be held before a multilateral framework had been formulated.

90. The representative of India requested importing countries to table specific proposals as soon as possible so that serious negotiations could be undertaken and concluded well before the end of 1981.
91. The representative of Romania stated that the renewal of the MFA was in the interest of both importing and exporting countries, and noted the consensus existing upon the need for rules governing trade in textiles and upon the importance of safeguarding the objectives of the MFA. He also asked for the beginning of substantive negotiations on the basis of proposals made by the developing exporting countries, as they were the only ones available.

92. The representative of Uruguay, while regretting that the only negotiating proposals made so far were those made by developing exporting countries, expressed his concern that efforts made by his country during the last decade to liberalize imports were threatened by an increase of protectionist measures in textile importing countries. The small quantity of his country's exports could not cause any market disruption, according to MFA criteria. The future MFA, while remaining an instrument designed to regulate orderly textiles trade, should not try to solve all problems of the sector through measures not of an economic character.

93. He stated that any restriction in textile trade was harmful to all participants, due to the increasing interdependence of national economies. Distinctions between "importers" and "exporters" could not be made easily.

94. He finally asked whether the United States' statement was to be considered as containing formal proposals, in which case he expressed his discontent that developing countries' proposals had been rejected outright.

95. The representative of Switzerland stated that as the active phase of negotiations started it was indispensable for each participant clearly to make known their starting position. He then went on to outline certain elements which were basic to the position taken by Switzerland:

(i) Maintenance of the MFA's objectives and of its multilateral character;
(ii) Equality of rights and treatment in finding and applying individual solutions as well as the objective justification of these solutions;

(iii) Need for a sustained effort by all participants to restore free competition in textiles and clothing;

(iv) Recognition by all partners of the need for fair competition, and the establishment of the necessary means to that end.

96. Switzerland was firmly in favour of international co-operation within a multilateral framework, with a view to achieving orderly development of production and liberalization of trade, and taking into account the economic development needs of developing countries. It would be unacceptable to Switzerland if the MFA became a docile instrument of permanent protection.

97. Specific solutions for specific problems faced by some participating countries would have to be found for some time, but in finding such solutions the MFA should ensure a strict observance of equality of rights and treatment of participants.

98. The multilateral framework must take priority over bilateral solutions. It would thus be necessary that specific solutions should be equitable; that all participants should accept the fact that in similar situations the same solutions would be available to each participant; and that these solutions should be subject to continuous, careful and effective multilateral surveillance.

99. He further emphasized the indivisible character of the objectives of the MFA. Progress towards liberalization of trade would depend to a not insignificant extent on efforts by all participating countries to open their markets, including developing countries, particularly those most competitive in textiles, and the State-trading countries.
100. It was also essential that the application of the Arrangement should ensure fair conditions of competition. There should also be no opportunity for fraud. Switzerland would, at the appropriate time, present concrete proposals to strengthen the MFA in the area of effective protection of industrial property (trademarks, designs and models) and to prevent fraud in relation to rules of origin.

101. Switzerland was flexible on how these objectives could be achieved. Some proposals that could be the basis of constructive discussion had been made. They would comment on these in detail as the negotiations proceeded.  

102. The representative of Argentina, while regretting the limited will of some parties to participate fully despite the close deadline, wondered which conceptual framework should be used, as on one side developing exporting countries' proposals were clear and closely linked to the existing MFA (and as such should not be rejected a priori), and on the other side some statements went well beyond the scope of the negotiations. He stressed that the MFA should not be a way for developed importing countries to avoid the process of structural adjustment. He expressed his concern at the idea that preferential treatment for some exporters could only be granted to the detriment of others. He underlined the fact that the MFA was not supposed to be an instrument of aid to development, but a convention multilaterally adopted to govern trade in textiles, and that therefore the treatment should be equitable for all. He finally underlined that the negotiations must be completed as soon as possible, with discipline (i.e. with a clear calendar) and with the necessary flexibility, and that any delay would be detrimental to all participants.
103. The representative of Egypt asked for clarification from the EEC as to whether the link drawn between bilateral agreements and the MFA implied that the conclusion of such bilateral agreements was a precondition for the renewal of the MFA. Concrete proposals in relation to the proposed differentiation between small and big suppliers would also be needed to clarify doubt in this connexion. He also noted that the question of cotton exporters had not been raised in developed countries' statements. As a major cotton producer, heavily dependent on exports of cotton products, he stressed that restraints on such exports, which affected the whole economy, agriculture as well as industry, should, after having been applied for twenty years, be removed. He affirmed the developing countries' rejection of "reasonable departures". The difficulties facing developing countries were more severe in nature than those before developed countries. His delegation was disillusioned with the responses of developed countries to the proposals made by developing countries.

104. The representative of Peru declared that the statements made by the developed importing countries were in contradiction with the objectives set forth in the Preamble and in Article 1 of the MFA, as they would prolong the unfair situation imposed on the developing countries through the Protocol of Extension of 1977. She said that efforts made by Peru since 1980 to liberalize their imports of textile products were threatened by the prospect of a more restrictive new MFA.

105. She stated that the EEC proposals would introduce elements of uncertainty and confusion in Article 6 provisions regarding new entrants, small suppliers and cotton textiles exporters, in contradiction with the objectives of
Article 1 of the MFA. She was finally disappointed by the fact that the United States rejected outright developing exporting countries' proposals, while asking for a pragmatic approach.

106. The observer from the People's Republic of China supported the statement on behalf of the developing exporting countries. He noted that there had been an increase in restrictions in recent years on exports from developing countries. While China understood the problems now confronting some developed countries, they believed that a progressive liberalization of trade should take place, not only in order to improve international relations, but also because this would further the economic development of developing countries and be in keeping with the principle of equality and mutual benefit. China hoped that a new MFA would be negotiated on a fair and reasonable basis.

107. Commenting on the fact that no specific proposals had been tabled by the major developed countries, he expressed the hope that such proposals would be forthcoming early. China supported proposals tabled by developing countries and, in particular, the proposals relating to the elimination of the reasonable departures clause. This was a vague concept which permitted the imposition of restrictions outside the framework of the MFA and worked in a manner unfavourable to the interests of exporting developing countries.

108. China was of the view that a new arrangement should be based on the objectives and principles of the original MFA. This would be in the interests of both developing and developed countries. They would continue to work with all participants to arrive at such a solution.
109. In his closing statement, distributed as COM.TE /W/107, the representative of Colombia, speaking on behalf of developing exporting countries, expressed their disappointment and concern that it had not been possible to engage in substantive work, despite the concrete texts of specific proposals tabled by the developing exporting countries. The developing exporting countries continued to find concepts such as reduced growth, growth tied to consumption, globalization, cumulative market disruption, etc., unacceptable. They were totally opposed to a system of trade based on discrimination between sources of supply from developed and developing countries. The continuation of the "reasonable departures" provisions, either explicitly or implicitly, could not be contemplated. Effective surveillance, objective criteria and specific, transparent operational disciplines were needed.

110. He felt that there was a deliberate attempt by some developed countries to retard to the extent possible the beginning of concrete negotiations, and urged that the negotiations begin as soon as possible on the basis of the developing country texts. He emphasized that no untimely consideration of bilateral agreements could be made until the multilateral framework had been settled. The developing countries furthermore regarded reductions in base levels, negative development rates and the waiving of flexibility provisions in case of recession as totally incompatible both with the MFA and the GATT, and as not negotiable.

111. He expressed his appreciation for the support shown by Hungary, Poland and Czechoslovakia, as well as by the observer from China. He hoped that for the next session participants would bring specific proposals backed by a mandate to find equitable solutions.
112. In his summing up, the Chairman noted that it had been possible to make some progress at this meeting towards the phase of negotiations proper. Some delegations had made specific proposals; others had outlined with some precision their views on the future of the Arrangement. However, there was still considerable divergence of views and there was a great deal of work to be done to complete negotiations before the end of 1981. He urged delegations to give the highest priority to continuing consultations.

113. The Chairman urged delegations which had not put forward their proposals to do so in advance of the next meeting. He added that as negotiations proceeded it would be necessary to give serious thought to working procedures to be followed. He requested delegations with ideas on the organization of the future work of the Committee to inform him of them.

Date and agenda of next meeting

114. The Committee agreed that the next meeting would begin on 21 September to continue discussions on the same agenda item. The meeting would continue for not more than five days. It was also noted that a further meeting should be held beginning on 18 November and continuing until agreement was reached.