TEXTILES

KICK-OFF FOR NEGOTIATIONS ON FUTURE OF MULTIFIBRE ARRANGEMENT

Is the Multifibre Arrangement, which governs a large part of world trade in textiles, to be extended, modified or discontinued? That is the question to be answered by the 42 parties to the Arrangement between now and the end of July 1986 when the MFA will expire.

When the Textiles Committee met on 23 July to launch discussions and negotiations on the future of the Arrangement, the Committee’s Chairman, Arthur Dunkel, Director-General of GATT, underlined that “this meeting is taking place in particularly critical circumstances”. “We have on the one hand an upsurge of protectionist pressures, some of which have translated themselves into proposals for a further tightening of restrictions on textiles and clothing; on the other hand the contracting parties are engaged in an effort to strengthen the trading system so as to improve its capacity to withstand these pressures and to seek a broad process of liberalization”.

Speaking on behalf of the developing-country exporters of textiles and clothing which are parties to the MFA, the representative of Korea said that over the past 25 years the trading system applicable to textiles has become increasingly restrictive and discriminatory. The MFA, he said, has failed in its essential objective of facilitating structural adjustment in the textile and clothing industries of importing countries, and has moved farther away from the goal of trade liberalization. In support of that statement, he cited recent conclusions of the Textiles Surveillance Body which...

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1 The 42 parties to the MFA (the European Community and its ten member States counting as one) are: Argentina, Australia, Bangladesh, Brazil, Canada, Colombia, Czechoslovakia, Dominican Republic, Egypt, El Salvador, EEC, Finland, Guatemala, Haiti, Hungary, India, Indonesia, Israel, Jamaica, Japan, Rep. of Korea, Malaysia, Maldives, Mexico, Norway, Pakistan, Peru, Philippines, Poland, Portugal on behalf of Macao, Romania, Singapore, Sri Lanka, Sweden, Switzerland, Thailand, Turkey, United Kingdom on behalf of Hong Kong, United States, Uruguay, Yugoslavia. The People’s Republic of China became a party to the MFA in January 1984 (See FOCUS No. 27).

2 The MFA has been in force since 1973. Since then it has been extended on two occasions, in 1978 and 1981. It replaced the Arrangement which, since 1962, covered a large part of world trade in cotton textiles. Its coverage is broader: yarn, woven fabrics, worsteds and clothing of cotton, wool and man-made fibres, excluding hand-made fabrics and clothing and those produced by traditional handicraft methods.

COUNCIL

On 17 and 18 July the Council examined several trade disputes still pending and reviewed progress on certain tasks in hand under the Ministerial decisions of November 1982.

It adopted the report on New Zealand imports of electrical transformers from Finland which was before it for the first time.

The panel which examined the matter had concluded unanimously that those imports had not been shown to have caused material injury to New Zealand’s transformer industry; it had therefore found that the anti-dumping duties imposed by New Zealand were not consistent with Article VI of the General Agreement and should be reimbursed. The New Zealand representative informed the Council that his government had already accepted the panel’s recommendations, while noting that the panel had recognized the existence of dumping but had found no causal link with the injury suffered by producers in his country.

Many members of the Council underlined that the goodwill shown by the parties concerned and the exemplary manner in which the case had been expedited had contributed to strengthen the GATT dispute settlement system.

The United States recalled that the report of the panel which had examined production aids granted by the European Community on canned peaches, canned pears, canned fruit cocktail and dried grapes had already been considered by the Council on four occasions since March 1985, but had not yet been adopted because of opposition by the EC which disputed some of the panel’s arguments.

The representative of the EC said that the Community had already substantially reduced aids for the canned fruit concerned, but was not currently able to adopt the report. It favoured an amicable solution to the matter and was expecting new decisions on the aids in the coming weeks.

The Council agreed to revert to the matter at its next meeting.

The United States representative drew the Council’s attention to the fact that so far Japan had only partly implemented the conclusions made by the panel more than a year ago, recommending that that country eliminate its quantitative restrictions on imports of leather. In particular, Japan had not announced any liberalization measures in respect of finished leather products.

The Japanese representative said that his country was still encountering serious difficulties in fully implementing the panel’s recommendations. The Japanese government intended to replace the quota system by higher tariffs on products not yet liberalized and would be prepared to negotiate under Article XXVIII with the countries concerned, at an appropriate moment.

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TEXTILES – Kick-off for negotiations on future of MFA (continued)

oversees implementation of the Multifibre Arrangement. He noted that the economic difficulties invoked by developed countries, in particular the United States and the EEC, to justify the introduction of additional restrictions in the 1977 and 1981 Protocols extending the MFA, had eased considerably.

According to the representative of the developing countries, the Textiles Committee will have to answer three key questions: (1) whether continued protection to developed-country textile and clothing industries is justifiable; (2) whether those industries can continue to claim special treatment in the form of a derogation from GATT rules; (3) whether a convincing case can be made to justify persistent discrimination against developing countries.

The Korean representative went on to voice the concern of developing countries over the American bill on textiles which would undermine the very basis of the international trading system and violate that country's obligations under the MFA.

He recalled that 21 developing countries had met in Mexico City in April 1985 to draw up their position with respect to negotiations on the future of the Multifibre Arrangement. In particular, they had called for full application of the GATT rules in this sector, with a movement towards liberalization; they had rejected the approach that the removal of quantitative restrictions on textiles would be conditional upon reciprocal trade concessions on their part.

A number of developing countries, inter alia the ASEAN Group, added that until such time as trade in textiles and clothing was brought back under the GATT rules, it seemed to them urgent to secure observance of the provisions of the MFA as originally conceived, i.e. an instrument for orderly liberalization of the market.
TEXTILES – Kick-off for negotiations on future of MFA (continued)

The representative of the United States said that in 1985 his country's industry was still being affected by the substantial growth in textile imports in 1983 (plus 25 per cent) and 1984 (plus 32 per cent). He also noted that imports of textile fibres not covered by the MFA had risen five times more rapidly in 1985 than in the preceding year. Numerous plants had had to be closed and the most vulnerable social categories had been particularly hit by unemployment. Notwithstanding measures already taken by the United States to combat the dramatic increase in imports, half of the members of Congress were supporting the adoption of new and more restrictive legislation.

The United States representative said that hitherto the American market had been open to a remarkable degree: its textile and apparel imports from developing countries had increased from US$ 6.2 to US$ 8.9 billion between 1980 and 1983, and over the same period the share of those countries had increased from 31 to 42 per cent. That trend reflected a general attitude on the part of his country, whose imports of manufactures from developing countries had increased from US$ 30 to US$ 46 billion between 1980 and 1983.

The United States representative said that it was in the interest of all countries to negotiate a viable successor arrangement to the existing MFA as rapidly as possible.

The representative of the European Community recalled that the Multifibre Agreement had allowed orderly development of imports – EC imports had been increasing steadily since 1974 and in 1984 import penetration had stood at 45 per cent, one of the highest rates to be found among the large industrialized countries – and had facilitated progressive restructuring of the Community's industry. Difficulties nevertheless persisted in that sector because consumption was virtually stagnant, and loss of employment was currently severe. The EC spokesman reaffirmed the Community's attachment to the objective of progressive liberalization of trade in textiles on the basis of a better balance of rights and obligations between contracting parties.

In the view of the EC, the extension of an appropriate multilateral framework for textiles seemed necessary in the present circumstances. But, taking account of developments in the sector, the European Community intends to adapt the existing trade regime and undertakes through concrete measures, and with more flexibility, to apply the multilateral and bilateral provisions to be agreed, through parallel efforts towards the opening of markets of the other countries engaged in international textile trade according to their level of development and their economic capabilities. The EC representative said that such measures should allow, as a final objective, a progressive return of trade in textiles to normal GATT rules, as well as orderly and equitable development of that trade while avoiding disruptive effects on the market.

The representative of Japan, having regard to the positive rôle played by the MFA in ensuring stable and expanding trade in textiles and clothing, underlined the need to overcome protectionist pressures which were being intensified in that area and called for maintenance of a multilateral framework to regulate international trade in textiles and clothing. In the Japanese view, the MFA should be renewed without any drastic changes but with modifications based on continued efforts towards liberalization.

Canada underlined that its imports in this sector had progressed by 25 per cent in 1983 and 17 per cent in 1984, and that in the past three years it had encountered difficulties in implementing the MFA. He supported extension of that instrument.

The Nordic countries also underlined difficulties encountered by undertakings in their countries, and the high penetration rate of imported products. They hoped that account would be taken of their specific problems in negotiations to renew the MFA.

Switzerland, while recalling that it had always adopted a liberalized attitude in the textiles and clothing sector and was in favour of bringing that sector back under the GATT rules, considered nevertheless that in present circumstances an extension of the Multifibre Agreement would be more appropriate. It suggested that implementation of liberalization measures in this sector should be examined in the broader context of a multilateral trade negotiation.

COMING GATT ACTIVITIES

Provisional programme of meetings for September

16 Working Party on Natural-Resource Products
17-19 Textiles Surveillance Body
17-20 Committee on Trade in Agriculture
18 Services
23-24 Committees on Milk Powders, Milk Fat and Cheeses
25-27 Textiles Surveillance Body
26-27 International Dairy Products Council
26-27 Committee on Government Procurement
30 Group on Quantitative Restrictions and other Non-Tariff Measures

October

1-2 Council
4 Expert Group on Trade in Counterfeit Goods
7 Working Party on Textiles and Clothing
7-8 Technical Sub-Committee on Trade in Civil Aircraft
8 Sub-Committee on Protective Measures
8-9 Textiles Surveillance Body
8 and 11 Committee on Balance-of-Payments
9 Committee on Import Licensing
9-10 Committee on Trade in Civil Aircraft
14-16 Committee on Trade and Development
17 Working Party on Natural-Resource Products
17 Services
18 Group on Quantitative Restrictions and other Non-Tariff Measures
21 Working Party on Textiles and Clothing
21 and 25 Ad hoc Group on Implementation of the Anti-Dumping Code
21-22 Committee on Anti-Dumping and Practices
22-23 Textiles Surveillance Body
23-24 Committee on Subsidies and Countervailing Duties
31-1 Nov. Committee on Technical Barriers to Trade

Other meetings are planned but the dates have not yet been finalized.
COUNCIL (continued)

The representative of the United States, and those of several other countries interested in the matter, underlined that the panel's recommendations called for more liberal access to the Japanese market for leather; they reserved their rights.

The Council agreed that it might revert to the matter at a future meeting.

In addition, the United States representative asked the Council to recommend that the conclusions of the panel which had examined the quantitative restrictions applied by Japan on imports of leather, should likewise apply to Japanese restrictions on imports of leather footwear. The members of the Council did not support that interpretation by the United States and the Council agreed to establish a panel to examine the matter, including the possibility of applying the panel's recommendations to leather footwear. The terms of reference and membership of the panel are to be determined in consultation with the parties concerned.

The Council discussed at length Nicaragua's request for consultations under Article XXII:1 of the General Agreement regarding measures applied by the United States to Nicaragua and their conformity with the General Agreement. Since the Council's meeting on 29 May, informal consultations initiated by the Council's Chairman had not resulted in a consensus on how to deal with the matter.

The United States and several other countries expressed the view that such consultations and any panel that might be requested by Nicaragua would serve no useful purpose since they could not make any determination as to the justification of United States recourse to Article XXI. That provision left full discretion to the country invoking it to determine what was necessary for its national security.

Nicaragua, whose proposal was supported by several countries, considered that recourse to Article XXI did not prevent another contracting party from invoking the dispute settlement provisions of Article XXIII.

The Council agreed that its Chairman would carry out consultations on the Nicaraguan proposal and on possible terms of reference and the role of a panel.

The United States has notified GATT a recommendation by its International Trade Commission for a quota of 474 million pairs for imports of non-rubber footwear of a customs value in excess of US $2.50 per pair. In support of its recommendation, the Commission invoked Article XIX of the General Agreement and found that imports had increased in such proportions as to cause or threaten serious injury to domestic producers. The President of the United States will decide on that recommendation before the end of August.

The Chairman of the Council reported on the informal consultations that he is holding with a view to improving the international system of safeguards. He confirmed that there is a convergence of views on some of the elements identified by the Ministers in November 1982, but stated that the main obstacle to a comprehensive understanding continues to be the difference of opinion on the geographic coverage of safeguard measures. Largely because of this, it has also not been possible to reach any understanding for eliminating the so-called "grey-area" measures.

The Council discussed and adopted the report of the Working Party established by the Ministerial session to review the adequacy and effectiveness of the Tokyo Round agreements and arrangements, and any obstacles to their acceptance by interested parties.

Several developing countries felt that further reflection was needed.

The Council agreed to revert to the matter at its next meeting and asked its Chairman to consult meanwhile on possible further action on the Working Party's report.

The Chairman of the Contracting Parties reported to the Council on the exchange of information on services which the Contracting Parties had instructed him to organize at their session in November 1984. Since then, five meetings open to all contracting parties, have been held. He will be reporting again to the Council before the November 1985 session of the Contracting Parties.

Costa Rica has applied to accede provisionally to the General Agreement, as a first step towards definitive accession. It considers that establishment of a firmer basis for trade would be an essential element for attaining its economic objectives.

The Council welcomed the request by Costa Rica and, in accordance with the customary procedure, decided to establish a working party to examine it.

A number of countries, while commending the transparency of the American procedures, expressed keen concern over the ITC's recommendation which, they underlined, would adversely affect their exports if adopted; they reserved their rights in the matter.

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NEW ROUND OF MULTILATERAL TRADE NEGOTIATIONS

Entr'acte...

On 17 and 18 July the Council discussed at length the possible convening in September next of a meeting of senior officials to examine the subject matter and modalities of a new round of multilateral trade negotiations, and to report to the Contracting Parties in November next.

Despite numerous conciliation efforts, no consensus was reached for convening such a meeting. The main stumbling block encountered in the discussion was the inclusion or non-inclusion of services among the topics to be discussed. Various proposals were made, inter alia by the European Community, Brazil and Sweden, but none won sufficiently broad support to carry the day. The United States, with the support of the European Community, Japan, Canada, Portugal and Spain, informed the Council that they intended to request the convening of a special session of the Contracting Parties to GATT. The Council decided to suspend its meeting.

Since then, the United States has confirmed its request officially, citing the urgent need to discuss, as early as possible in September, the subject matter and modalities for a new round of negotiations, having regard to the current critical situation in international trade. In accordance with the rules of procedure of GATT, such a session can be convened at the request of a contracting party provided the request is concurred with by the majority of the contracting parties. The concurrence procedure will be taking place until 31 August next.