At its meeting on 7-8 May, the Textiles Committee continued negotiations over the future of the GATT Multifibre Arrangement (MFA), which expires at the end of this year. Countries participating in the MFA reiterated the substance of the arguments on the functioning of the Arrangement that they had developed at an earlier session of the Committee, in October 1980. But they also gave some hints on how they saw the future of the MFA. They were invited to present more detailed proposals at the next meeting which will start on 13 July and which will last for one or two weeks. Members of the MFA were asked, in particular, to be prepared to discuss proposals for the extension, modification or termination of the Protocol prolonging the Multifibre Arrangement. It is understood that the discussion may also deal with the text of the MFA itself.

**Adjustment measures**

The Committee also adopted the report of its working group on structural adjustment measures taken by MFA participants in the textile sector. The group pointed out that adjustment policies of governments varied considerably depending on the participating country concerned and that the measures taken differed greatly in scope, nature and objective. While the majority of countries had indicated that it was industry's job to make the necessary adjustments, the intervention of public authorities was more pronounced in some countries than in others.

The working group was not able to establish precise cause-and-effect relationships between government adjustment measures and policies and modifications in production, trade and market access. The group recognized that there was a need for continued monitoring of adjustment policies and measures as well as of autonomous adjustment processes, to see how the relevant provisions of the MFA (Article 1:4) were being implemented.

The Committee decided that information on this subject should be regularly brought up to date and that the working group would continue to meet periodically.

On 7 May the People's Republic of China was admitted to participate as an observer in the work of the Textiles Committee. China has important commercial interests in the textile sector, but is not a member of GATT or of the Multifibre Arrangement.

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**Colombia soon to be member of GATT**

On 14 May 1981, in an official ceremony at Bogota attended by Mr. Arthur Dunkel, Director-General of GATT, Dr. Julio Cesar Turbay Ayala, Colombia's Head of State, signed a law, recently passed by Colombia's Congress, ratifying the Protocol of Accession of Colombia to the General Agreement.

The Protocol was negotiated in 1979, in the context of the Tokyo Round trade negotiations, and was approved by GATT's member states in November of the same year. Colombia will become the 86th member of GATT thirty days after official notification of the ratification of the Protocol.

Under the Protocol of Accession, Colombia has granted its partners a number of tariff concessions compatible with its level of economic development, constituting its contribution to a more open international trade system.

After accession, Colombia will have a legal right to benefit from GATT concessions, whereas up to now it has been doing so de facto.
Committee on Tariff Concessions

At its meeting of 11 May, the Committee on Tariff Concessions reviewed the status of acceptances and implementation of the Tokyo Round tariff concessions. It reminded GATT members that the time-limit for acceptance of the tariff Protocols had been set at 30 June 1981. The Committee also examined the schedules of concessions it had received for the Tokyo Round, separately from that of the adoption of these agreements. It was agreed that the tariff study should give a clear picture of the status of each country's tariff after the Tokyo Round multilateral negotiations and should include all relevant information.

Promotion of exports

The International Trade Centre was established by GATT in 1964 to provide developing countries with direct assistance in increasing their exports. Since 1968, when GATT and UNCTAD decided to combine their resources and unite their activities in this field, the Centre has been jointly operated by the two organizations, which guide its policies and regularly review its work programme. It is the focal point for United Nations efforts in export promotion for developing countries.

The Centre helps developing countries to formulate and implement viable trade promotion programmes and activities, and to build up the institutional infrastructure needed to become progressively self-reliant in developing foreign trade. The Centre helps these countries to establish specialized services for trade promotion and international marketing, to identify export-market opportunities and to take appropriate market-development action. The Centre also organizes training courses in trade promotion and export marketing.

The total cost of the Centre's technical co-operation programme is estimated for the 1980-81 biennium at about US$52 million, of which half comes from voluntary contributions by developed countries. GATT and UNCTAD contribute equal shares to the Centre's regular budget, which amounts to approximately US$18 million for the two years.

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A vast sectoral agreement

In 1973, following the emergence of new problems, the long-term agreement which had governed a large part of the world trade in cotton textiles was replaced by the Multifibre Arrangement. The area covered by the new instrument was much greater: it embraces yarns, fabrics, worsteds and synthetic and regenerated fibres, with the exception of hand-made fabrics and clothing and those produced by traditional handicraft methods.

One of the principal innovations of the MFA is the creation of a permanent organ, the Textiles Surveillance Body, which oversees the implementation of the MFA and the bilateral agreements negotiated in the framework of the Arrangement. The TSB shares these responsibilities with another body established by the MFA, the Textiles Committee. This Committee meets at least once a year to review the overall functioning of the Arrangement.

The MFA seeks to organize the world textile market on the basis of a compromise between the interests of exporting and importing countries. Its fundamental objectives are the expansion and progressive liberalization of trade in textiles, while avoiding disruption of the market; it also aims at securing for developing countries a substantial increase in their export earnings and a greater share of the world's trade in textile products.

Characteristics and mechanisms of the MFA

1. The Multifibre Arrangement can be regarded as a specific safeguard clause. Brought into being at a time when textile products were plagued by a host of restrictive measures as a result of the industry's economic and social problems, the MFA recognizes the existence of this critical situation and seeks to remedy it by a number of mechanisms.

(a) In its Annex A, it defines the concept of market disruption by enumerating the factors which cause it: a sharp and substantial increase, or imminent increase, of imports of particular products from particular sources, at prices which are substantially below those prevailing for similar goods in the import market.

(b) The MFA offers two main possibilities of protective measures that may be resorted to in case of market disruption. Article 3 deals with the introduction of restrictions for a period not exceeding one year, after consultation with the exporting countries concerned, and the option, in exceptional circumstances, of taking emergency measures. Article 4 provides for the conclusion of bilateral restraint agreements between importers and exporters as an instrument of market regulation.

(c) Annex B of the MFA establishes the particular levels below which quantitative restrictions may not be introduced. It provides in particular for an increase of not less than 6 per cent in imports of products previously under restraint. In exceptional cases (danger of further market disruption or damage to minimum viable production), a lower growth rate may be applied after consultation with the exporting country concerned.

(d) All of these mechanisms are supervised by the Textiles Surveillance Body, and through it by the Textiles Committee.

2. The Multifibre Arrangement encourages industrial adjustment. Article 14 provides that import restraint measures "shall not interrupt or discourage the autonomous industrial adjustment processes of participating countries. Furthermore, they should be accompanied by the pursuit of appropriate economic and social policies, in a manner consistent with national laws and systems, required by changes in the pattern of trade in textiles and in the comparative advantage of participating countries, which policies would encourage businesses that are less competitive internationally to move progressively into more viable lines of production or into other sectors of the economy and provide increased access to their markets for textile products from developing countries."

It is under this provision that developing countries, in November 1979, called for the establishment of a working group on the structural adjustment measures taken by MFA member countries in the textiles sector. The working group has just submitted its report to the Textiles Committee. 1

Extension of the MFA

The Multifibre Arrangement was extended for four years as from 1 January 1978 by a Protocol, which, without amending the MFA, mentions certain understandings. The Protocol recognized that the situation in world trade in textile products was still not satisfactory and that certain signatories had encountered practical difficulties in implementing the provisions of the MFA. It indicated that such difficulties should be resolved bilaterally, in a spirit of equity and flexibility, including the possibility of jointly agreed temporary reasonable departures from particular provisions of the Arrangement. Under this decision, some importing countries have been able to obtain an increase in their imports of certain textile products lower than the minimum rate of 6 per cent provided for by the MFA.

Review of the functioning of the MFA

In October and December 1980, the Textile Committee undertook an overall review of the functioning of the MFA and set in motion negotiations on its future. 2

1 Including the ten EEC countries.
2 See article on page 1 of this issue and Focus n° 1.
Customs valuation

The Committee on Customs Valuation held its second meeting on 5 May. The meeting started with a series of general policy statements by signatory countries expressing the hope that other countries would accede to the Code as soon as possible. Like the Code on Government Procurement, the Code on Customs Valuation entered into force on 1 January 1981, i.e. a year later than the other non-tariff codes.

The Committee held a first exchange of views on the implementation and administration of the Code. It was particularly interested in the data to be furnished by signatories on their use for the various valuation methods authorized by the Code.

The Committee also heard a report by the Chairman of the Technical Committee on Customs Valuation:

which held its first meeting from 9 to 13 March under the auspices of the Customs Co-operation Council in Brussels.

The Committee on Customs Valuation is due to hold its next meeting on 4 to 6 November.

Subsidies and countervailing measures

At its meeting of 29 April, the Committee on Subsidies and Countervailing Measures discussed procedures for notifying subsidies. The obligation to notify such measures, deriving from Article XVI:1 of the General Agreement, was reaffirmed by the Code on Subsidies and Countervailing Measures resulting from the Tokyo Round. The Committee decided to consider this question in greater detail at its next meeting, at the end of October. Until then, the signatories of the Code were asked to continue to notify their subsidies on the basis of the existing questionnaire.

The Committee also examined the semi-annual reports submitted by Code signatories concerning countervailing measures taken against other signatories.

Continuing its review of national laws and regulations for the implementation of the Code, the Committee examined the legislation of South Korea in this area.

The Committee also discussed a proposal by India concerning recourse to the non-application clause, which enables a signatory of the Code not to apply the provisions of the Code to another signatory.

Committee on Balance-of-Payments Restrictions

At its meeting of 13 May, the Committee on Balance-of-Payments Restriction had a detailed consultation with Portugal. The consultation dealt with that country's accounts and the monetary and fiscal measures planned by Portugal to restore a position of external equilibrium as well as on the types, methods and effects of import-restricting measures taken by Portugal to protect its balance of payments.

The Committee also examined, by a simplified consultation procedure, protective trade measures taken for balance-of-payments reasons by South Korea, Sri Lanka, Egypt and Yugoslavia. It decided to hold a detailed consultation with Yugoslavia later this year.

Acceptances of Protocols, Agreements and Arrangements

Pakistan notified GATT on 21 May of its ratification of the Tokyo Round agreements on Technical Barriers to Trade, Import Licensing and Anti-dumping, as well as the Supplementary Tariff Protocol.

Other Tokyo Round ratifications notified since 1 January 1981 are (in chronological order):

- Geneva (1979) Protocol to the GATT
- Supplementary Tariff Protocol
- Technical Barriers to Trade
- Import Licensing
- Subsidies/Countervailing Duties
- Customs Valuation
- Trade in Civil Aircraft

Belgium
Belgium, Chile, South Korea
Belgium, Chile, Tunisia, Philippines, Greece (subject to ratification)
Philippines, Chile
Chile
South Korea
Belgium, Netherlands, Greece (subject to ratification).

Coming GATT activities

Provisional programme of meetings in June:

11 Council
12 Committee on Technical Barriers to Trade
15-16 International Meat Council
15-18 Textiles Surveillance Body
17-19 Committees of the Protocols Regarding Certain Milk Powders, Milk Fats and Certain Cheeses
18-19 Committee on Trade in Civil Aircraft
22 Technical Sub-Committee on Trade in Civil Aircraft
23-24 Sub-Committee on Protective Measures
25-26 Consultative Group of Eighteen

Bibliography

GATT and international trade

For those interested, GATT has made a selection of books and articles, in English, French, Spanish and German, about GATT and international trade that can be consulted in the GATT Library. The list of books and articles chosen is available from the Information Service.

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