1. Following discussion in the Council of the present state of world trade in textiles (C/W/202/Rev.1 and C/W/77 and 78) the Working Party was established on 27 June 1972. The task conferred upon it by the Council at that time was to make a factual study regarding the economic, technical and social elements which influence world trade in textiles and textile goods of cotton, wool and man-made fibres (L/3716). This Study (L/3797 and Addenda) was submitted to the Council on 29 December 1972 in accordance with the mandate given to the Working Party.

2. At its meeting of 5 February 1973, the Council took note of the Study and agreed to defer consideration of the matter of trade in textiles to a later meeting (C/W/84).

3. The Council resumed discussion of this matter at its meeting of 30 April 1973 (C/W/220 and C/W/86), and subsequently adopted the following Decision amending the terms of reference of the Working Party (L/3716/Rev.1):

Recognizing the objectives of the Multilateral Trade Negotiations, particularly the objectives of the greater liberalization and expansion of trade,

Recognizing the great importance to many of the contracting parties of trade in textiles and textile goods of cotton, wool and man-made fibres, and the unsatisfactory situation that exists in international trade in these products,

1 For the latest status of membership see L/3716/Rev.2.
Recognizing the particular importance of the trade in these products, particularly cotton products, for the economic and social development of developing countries, and for their export earnings,

Recognizing that solutions to problems in textile trade should be sought against the background of the principles and objectives of the General Agreement and the expiration of the Arrangement Regarding International Trade in Cotton Textiles on 30 September 1973,

Having received and examined the study of fact prepared by the Working Party pursuant to the Council's decision of 27 June 1972,

Decides that:

I. The Working Party should, on the basis of its factual study (document L/3797), together with such other information as may be relevant for its work, and having the fullest regard to the considerations set out in the preamble above:

(1) identify and examine the problems that exist in international trade in textiles and textile goods, and

(2) with regard to such examination seek possible alternative multilateral solutions to these problems. The search for multilateral solutions to textile trade problems will be without prior commitment as to the position of any participant.

II. The Working Party shall make a progress report on these matters to the Council not later than 30 June 1973.

Since that time the Working Party has held three meetings. The first (2-4 May) was devoted to the task of identification and examination of the problems that exist in international trade in textiles and textile goods in
accordance with point (1) of the amended terms of reference. In the course of
the discussion many members of the Working Party made general statements, and
specific problems were raised and discussed. Some of the statements made have
been circulated in TEX/w/13, 14 and 15. Certain elements for possible solutions
were also indicated by some members whilst identifying their problems.
5. The main points raised and discussed are summarized in the attached note on
the meeting (TEX/w/16/Rev.1) which is a revision, in light of comments made by
delegations, on an earlier draft note by the secretariat (TEX/W/16).
6. At its second meeting (4-6 June) the Working Party addressed itself chiefly
to Point 2 of the Terms of Reference, i.e. search for possible alternative
solutions to the problems existing in international trade in textiles. In the
course of the discussion a large number of members of the Working Party expressed
views on certain elements which could be embodied in any possible solution and put
forward suggestions on various aspects of such solutions. Some of the statements
made during the meeting have been reproduced in full in TEX/w/17 and TEX/W/19-24.
7. The divergence of views on the nature of the problems which existed in trade
in textiles was reflected in discussion of possible solutions. On the one hand it
was suggested that the proliferation of restrictions was the major problem and
the solution lay in the dismantling of these restrictions. On the other hand,
it was maintained that an international framework was necessary for the orderly
development of trade in textiles to avoid a general deterioration in trading
conditions. Nevertheless despite this divergence of views it was generally agreed
that principles and objectives of GATT should be upheld.
8. A number of delegations went on to maintain that whilst recognizing the complexity of textile problems, they did not accept that these problems were unique so that a special solution for textile problems seemed unnecessary. The problems in textiles were socio-economic and not truly political in nature. In contrast to these views, the view was expressed that textile problems were indeed unique in the sense that the one industry suffered almost all the problems suffered separately and severally by other industrial sectors.

9. Some delegations were strongly of the view that the textile problem, in view of its nature, warranted a separate solution which would not be within the multilateral trade negotiations, scheduled to start in September. Furthermore in view of the somewhat more favourable trading conditions which prevailed at present in the world the time was ripe to reach agreement on a solution. In contrast, some other delegations felt that the textile problem, being not unique should be dealt with in the multilateral trade negotiations. Many believed that the objectives of the multilateral negotiations should be kept in mind in the formulation of any separate textile solution especially with regard to trade expansion and liberalization and the recognized claims of developing countries to share in these developments.

10. Whilst some held the view that all textiles and textile products of cotton, wool and man-made fibres and blends of these fibres should be included in a textile solution, other delegations were of the opinion that any solution should apply solely to those textiles and textile products where there were specific problems. Some delegations believed that even should a multi-fibre arrangement eventuate as the solution, it would be appropriate for special attention to be afforded cotton textiles within such an arrangement.
11. It was suggested by some delegations that the Long-Term Arrangement on Cotton Textiles had provided a balanced set of principles to regulate trade in cotton textiles and that these principles should be embodied in any new solution. It was stated by one delegation that it would prefer a simple amendment to the Long-Term Arrangement to cover textiles of the three major fibres. These views were strongly opposed by other delegates who maintained that the Long-Term Arrangement must not be made to serve as a precedent for restrictive trade measures. Yet other delegates saw some value in some of the principles of the Long-Term Arrangement and felt that the Arrangement could be used as a signpost for a new solution whilst excluding the mere extension of the Long-Term Arrangement to textiles of other fibres.

12. It was the view of delegations that a solution to the problem in textiles should deal largely with quantitative restrictions of all types but allusion was also made to certain other non-tariff barriers which provided an obstacle to trade and should receive attention. Furthermore the existence of high tariffs, although recognized under GATT rules, could also prove a barrier to trade.

13. In the discussion on the duration of possible solutions no specific time period was mentioned. While some felt that, with the experience of the Long-Term Arrangement in mind, that any new arrangement should be for a specific time period, others considered that any such time period would have to be sufficient to allow any problems identified to be solved within the framework of the solutions adopted. Reference was made to the need for an arrangement of temporary nature pending the outcome of the multilateral trade negotiations.
14. Many delegations stressed the need for an effective international surveillance mechanism together with an objective safeguard procedure. Furthermore it was pointed out that the criteria for market disruption in Annex C of the Long-Term Arrangement should be revised to take into account the view of importers and exporters by the addition of numerous elements which were enumerated by several delegations. The view was also expressed however that the criteria of the Long-Term Arrangement alone provided a reasonable guide for the determination of situations of market disruption.

15. The point was made that certain specific problems e.g. questions of quantity, base levels, growth rates, inter-fibre flexibility and categorization were best dealt with in bilateral negotiations. The view was however expressed that these questions could not be left solely to bilateral arrangements but that basic principles governing them should be embodied in the multilateral solution.

16. Other problems requiring solution within multilateral framework were discussed and in particular the interests of new textile exporting countries, handloom products, the imbalance of import and export performances structural adjustment and the time-table for phasing out existing restrictions. In addition emphasis was placed on the particular needs of developing countries to be fully reflected in any solution.

17. The Working Party noted the most salient elements which had clearly emerged from its deliberation. These have been elaborated by the secretariat, as requested by the Working Party, in document TEX/W/25 to facilitate discussion at its third meeting of 25-29 June.
18. At the third meeting (25-29 June) the Working Party continued the discussion under point (2) of its terms of reference, i.e. the search for possible solutions on the basis of the secretariat note (TEX/W/25). The Working Party also received during the discussion written proposals from the delegation of the United States (TEX/W/27). In continuation of discussion of solutions to the textile problem, the view was expressed that some measure of consensus would be necessary in order to arrive at a useful progress report to be submitted to the GATT Council not later than 30 June.

19. With regard to the basic objective of liberalization of international trade in textiles, some members pointed out that full liberalization might be feasible only over a long period of time. Whilst progressive liberalization appeared to imply less than was intended, a reasonable objective, in their view, would be extensive and progressive liberalization. This view was not, however, fully shared by some others who felt that liberalization was a basic tenet of GATT and, therefore, the objective should be to progressively achieve full liberalization. The process of liberalization should take full account of the principle of market disruption and the safeguard procedure to ensure controlled expansion of trade in textiles and textile products.

20. Some members felt strongly that the concept of equitable sharing of imports was of vital importance for the successful operation of any multilateral solution and a prerequisite for genuine liberalization. The point was made, however, that the notion of more equitable sharing of trade, though valid, was largely transitional and should lead in due course to full liberalization and free interplay of market forces.
21. The view was expressed that the process of liberalization of trade in textiles should also involve reduction, elimination or downward harmonization of customs duties. While some felt that these aims should either be embodied or referred to in any arrangement in the expectation of their achievement in the forthcoming multilateral trade negotiations, others pointed out that this allusion to tariffs was unnecessary.

22. Members of the Working Party had divergent views as to the products in respect of which a solution was to be found. Some took the position that any multilateral solution should cover all textiles irrespective of their fibre content, others that the coverage should be limited only to those products where problems appeared to exist. While specific reference was made to textiles and textile products of cotton, wool and man-made fibres and blends thereof, the inclusion of man-made fibres themselves was also mentioned. Emphasis was, therefore, placed on the need for product coverage to be clearly set out and defined. The point was made that, though broad in coverage, in practice, the solution would be applied only when specific problems so required.

23. The view was expressed by some members that the phasing out of existing restrictions could not, at present, be tied to an exact timetable. Some, however, were of the view that it was important that the procedure for achieving this objective should be embodied in the solution and that a concrete time period should be fixed therein for this purpose.

24. Some members pointed out that the importance of the textile industry in the economic expansion of the developing countries and their exchange earnings should be adequately recognized in the objectives. These objectives had been
stated strongly in the Long-Term Arrangement and should be given sufficient prominence in the new solution. The special interest of these countries in trade in textiles, particularly cotton textiles, was fully recognized and specific provisions for this should be included in any solution. Other members pointed out that such specific provision would nonetheless fall within the general scope of the multilateral solution. Certain suggestions were made concerning duty and quota-free access for cotton yarn and the inclusion of cotton textiles in the Generalized Scheme of Preferences. It was, however, cautioned that such special provisions should not be used to restrict the evolution of the textile industries of developing countries and their future capacity and opportunity to export products of other fibre.

25. There was general recognition that provisions should be made in any solution for the needs of newly-established textile exporters, although this should not be at the expense of old-established exporters. Nevertheless, there were divergent views on how this could best be achieved within the framework of a multilateral agreement.

26. There was general consent to the special position of handloom products and to the principle of liberalizing trade in these items with certain certification procedure. It was the view of some members that liberalization in these items, both fabrics and products thereof, should be complete since they were in no way competitive with machine-made products. This view was not, however, fully shared by others who felt that in certain cases end products of handloom fabrics in particular were directly competitive with similar machine-made articles.
27. Varying views were stated as to the likely duration of any new solution to the textile problem. Whereas experience of the Long-Term Arrangement suggested that caution should be exercised to ensure that what was intended as a temporary arrangement should not become permanent, it was felt by many delegations that the duration of any solution should be sufficient to allow the stated objectives to be achieved. Specific suggestions varied from three years to a minimum of five years. The point was made that even if the initial period was short, this would not preclude extension at the appropriate time if proven necessary. The view was expressed that any solution should be provisional pending the outcome of the multilateral trade negotiations.

28. The view was expressed that the obligations inherent in any code should be more than simply moral obligations. A number of comments were made on possible elements that might be included in any code. The need for a code was queried by some on the grounds it was difficult to envisage how the objectives under a code could be fully honoured by the participating governments.

29. It was the view of several delegations that a strict safeguard procedure should be agreed, and a number of suggestions were made to this effect. It was felt by some delegates that safeguard provisions should be invoked as a last resort if the principles of any code were not adhered to. Such provisions should be used sparingly and administration of restrictive measures would be carried out on the basis of agreed operative procedures to ensure that it would not constitute a further non-tariff barrier. It was the view of some members that restrictive measures imposed under safeguard provisions should be non-discriminatory. However, the point was made that this principle should not be carried so far as to lead to imposition of restrictions on non-disruptive suppliers.
30. There was a widespread agreement on the need for international surveillance
to control the invocation of market disruption and imposition of restrictions,
although one delegation, on legal and constitutional grounds, spoke against it.
The view was expressed by some members that the task of surveillance should be
entrusted to a standing sub-committee of the Textiles Committee, whilst others
felt that it would be more effectively carried out by a panel. Some members felt
that an amalgamation of the two views was feasible with a sub-committee being
assisted on an ad hoc basis by experts. The need for equal representation of
importing and exporting interests was emphasized. Some members insisted on the
need for prior consultation with the surveillance body before implementation of
any restrictive measures. Others felt that this could lead to abuse during the
period of consultation. The duties of the surveillance body would include those
of review, both annual in consideration of all existing restrictions and on request
for new problems as they arose. Some delegations felt that the recommendations of
the surveillance body should be binding, whereas others felt that such
recommendation should be of an advisory nature only. The point was also made that
the surveillance body would require a permanent secretariat since it could not,
itself, sit permanently.

31. It was felt by some members that the counterpart of the imposition of
restrictions was an undertaking to make necessary arrangements for structural
adjustment in the textile industry in the importing country. This, in their view,
had not so far always been the case under the Long-Term Arrangement under which
restrictions had existed for a prolonged period in some cases with minimal
structural readjustment to accompany them. The point was made that this obligation
to readjust should be the subject of surveillance by the appropriate body envisaged. The point was, however, made by some members that structural adjustment was in many cases the responsibility of the private sector and, in certain cases, governmental jurisdiction was limited.

32. It was the view of many delegations that the definition of market disruption contained in Annex C of the Long-Term Arrangement should be modified. Some delegations felt that the present definition did not take sufficient account of the position of exporting countries. A more precise definition with clearly defined and stated parameters was a sine qua non of the successful operation of any solution. Some felt that the redefinition of market disruption might best be carried out on the basis of suggestion 29(i) of document TEX/W/25. The addition of certain new elements was suggested by some delegations, while others considered that the existing definition of market disruption needed only the addition of a relatively few new elements. Other delegations supported suggestion 29(ii) of the same paper, whilst others felt that a combination of both suggestions was most useful. The practicality of too extensive criteria for the establishment of market disruption was questioned due to probable lack of up-to-date evidence. It was pointed out, however, that in view of the fact that the detailed elements in the Anti-Dumping Code had proved practicable, it would appear that a requirement for such details was reasonable. Several members held the view that market disruption should be actual not hypothetical, and only a real injury criterion was acceptable. In contrast, others pointed out that, in their view, there was a great need to retain a definition that includes both actual and threatened injury. A plea was made
for restraint to be shown by importing countries in invoking market disruption based on a threatened situation by giving a surveillance period to ensure that such situation was indeed likely to develop into an actual threat of market disruption.

33. It was the view expressed by some delegations that certain specific problems such as base levels, growth rates, quota administration and categorization could, most usefully, be dealt with through bilateral negotiations. This view was opposed by other delegates who considered that such problems should be embodied, in some cases directly within the multilateral solutions and, in other cases, indirectly through specific guidelines within this solution to govern bilateral negotiations. A purely bilateral approach to these specific problems would result in widely different solutions which would undermine any multilateral approach.

34. On the basis of the written proposals before the Working Party (TEX/W/25 and TEX/W/27), and in the light of the general discussions summarized above as well as numerous special comments and suggestions that had been made by members of the Working Party at this meeting, a new document (TEX/W/29) was approved by the Working Party and is attached herewith.

35. The Working Party observed that its work to date had been conducted in an atmosphere of active co-operation and that it had covered much ground in its difficult task. The Working Party considers that it should proceed with its task as a matter of urgency and in a manner which would maintain the momentum which has been achieved and take account inter alia of the expiration on 30 September of the Long-Term Arrangement.