1. The draft agenda, set out in GATT/AIR/2656, dated 23 August 1988, was adopted.

2. The Chairman referred the Group to document MTN.GNG/NG4/9, which contained the main points raised at the last meeting held on 21 July 1988. He also drew the Group's attention to document MTN.GNG/NG4/W/18 setting out a statement made by Indonesia on behalf of the group of developing countries at the July meeting, and to MTN.GNG/NG4/W/19, containing a "Note on Consequences of Dismantling the MFA", also provided by the group of developing countries. He drew the Group's attention to the second revision of the informal non-paper by the Secretariat updating the views expressed on the main elements of the proposals before the Group and on the negotiating objective. Finally, he observed that the Sub-Committee on Adjustment had recently prepared its report for submission to the Textiles Committee. This report, when circulated to the Textiles Committee, would be made available to this Group.

3. Turning to the agenda for the meeting, the Chairman invited participants to address the principle task before the Group, i.e., to continue the examination of techniques and modalities for achievement of the objectives set out in this area in the light of proposals made by participants. He informed the Group that the GNG at its July meeting had decided that the chairpersons of negotiating groups be asked to submit to the GNG in November, reports prepared after consultations with members of these groups, which would be the major output to the GNG's report to the TNC at Ministerial level. These reports would essentially be in two parts, the first briefly describing the work accomplished so far and the second containing any proposals ministers would be called upon to take decisions. He, therefore, invited delegations to address this question.

4. The spokesman for the group of developing countries, members of the International Textiles and Clothing Bureau (ITCB), reiterating their concern as to the slow pace of work in the Group, put forward proposals for consideration by the Ministers which contained the following:
   I. Recognition that any selective and discriminatory régime for textiles has no future under strengthened GATT rules and disciplines. II. Stressing the importance of achieving results in negotiations in this sector within the Uruguay Round. III. The examination of modalities should now be
considered as over and the Negotiating Group should commence substantive negotiations early next year. The ITCB proposal should be adopted as the framework for future negotiations. IV. Further restrictions should be frozen forthwith. V. The date for the termination of the discriminatory and exceptional treatment given to this sector will have to be agreed upon in the Uruguay Round. (The full text of this statement is set out in MTN.GNG/NG4/W/20).

5. A large number of delegations spoke in support of the above statement and emphasized that a strong political impetus was required for the progress of negotiations in this Group. An importing participant stated the ITCB proposal, particularly paragraphs I, II and the first part of paragraph III, contained some elements which coincided with the views expressed by his group. Some delegations expressed concern over the use of the word "discriminatory" in paragraph I of the proposal. As regards paragraph III, it was stated that while agreeing with its intent, it was necessary to allow further examination of new modalities. It was also observed that the concept of a "freeze" included in paragraph IV, would deny parties to the MFA access to their rights under a contractual arrangement and could provoke the search for solutions outside the MFA or GATT. In this respect another participant stated that while his authorities were sceptical as to the possibilities of freezing forthwith certain MFA instruments which had become part of national legal frameworks, they accepted, that such instruments should only be used in cases of absolute necessity. The point was also made by one delegation that if measures under the MFA were not permitted for countries facing difficulties, while existing restrictions continued to be in effect, this would contradict the principle of equity. Greater clarity and objectivity should thus be assured in the criteria for restrictions.

6. Commenting on the views expressed in respect of freeze, one delegation pointed out that the proposal of the group of developing countries did not intend to interfere with the legal provisions of the MFA or to apply the concept of standstill to all GATT mechanisms. However, it should be noted that the reversal of the derogatory MFA system could not be achieved without accepting a concept of standstill. Regarding a halt to further restrictions he underlined the importance of multilateral surveillance exercised by the TSB which, in the absence of mutually satisfactory solution, could determine whether there was enough justification for a measure to be taken. Another delegation made the point that this issue was going beyond the question of access to rights, thus demonstrating the political will to move in a particular direction; both freeze and standstill being part of a political package in the Uruguay Round.

7. Referring to the proposal tabled at an earlier meeting by the group of developing countries (NG4/W/11), one delegation observed that such a proposal offered solutions which, in the initial stages, did not depart from the spirit of the MFA and as such would lend itself to acceptance even by countries which were reluctant to terminate the MFA too soon. Another participant stated that his authorities could, in principle, accept the proposal by the group of developing countries as a basis for negotiations. It should be borne in mind, however, that this proposal should relate to
the period after the expiry of the present Protocol extending the MFA; other restricting factors e.g., tariffs and non-tariff measures should not be neglected in the Group's further work; and the work in the Negotiating Group on Safeguards should be closely followed. The point was also made that the linkage of the work in this Group with that in the Group on Safeguards had its roots in the Punta del Este Declaration. Another delegation stressed that the progress in this Group should be parallel with that of other related groups, notably, inter alia, those on safeguards and on the trade-related aspects of intellectual property rights.

8. Commenting on the relationship between the work in this Group and that in others, some delegations stressed that each group had its own mandate and that issues of tariff and non-tariff measures had to be dealt with in their relevant groups. A delegation suggested that the Chairman's report to the GNG should include an agreement that tariffs on textiles and clothing were to be dealt with in the Negotiating Group on Tariffs.

9. One participant pointed out that the main work of the Group was to examine modalities for the integration of this sector into the GATT. This should be effected through ensuring conditions for competition in markets more open to all participants, thus securing a balance of rights and obligations having due regard to the interest of both importing and exporting countries. He underlined, inter alia, the following main issues where agreement should be reached in the near future: the integration of the sector was not tantamount to a mere "legalization" under the GATT of the present system of restraints; the application of GATT rules should result in a progressive liberalization of trade in this sector; a balance of rights and obligations could only be achieved by considering all existing obstacles in the field of textiles; there was a need for an adequate and reinforced safeguard clause; and a sufficiently long transitional period was necessary.

10. The Canadian delegate, in his communication to the Group (reproduced in full in document NG4/W/21) set out a list of options for achieving the goals set for the Negotiating Group. He pointed out that such a list should not be construed as having been adopted by his country, nor as being exhaustive. These options centred on two broad types of modalities: (i) those that address the dismantling of the MFA within a certain timeframe; and (ii) those that deal with all measures outside the GATT framework, including the MFA. The communication also referred to two basic techniques which surfaced in the discussion: those that would freeze, reduce and/or phase out existing restraints; and those that would convert existing restraints to another form prior to reduction and/or phase out.

11. A number of delegations welcomed this communication which they considered as a significant contribution to the work of the Group and made preliminary comments. The point was made, however, that the communication raised a series of questions without giving specific answers. One delegation, in commenting on the Canadian communication, said that his preliminary reaction would be that the proposals set out in NG4/W/10 and 11 were technically feasible, however, they did not ensure, even if fully implemented, that all textile restraints or other special arrangements maintained by any member were integrated into GATT on the basis of
strengthened rules and disciplines. Neither of them provided answers to such questions as: what was the relationship between these options and any developments in other negotiating groups?; how GATT rules and disciplines should be strengthened?; what were the dates for beginning and termination of the phasing-out process? etc.

12. With reference to section II:4 of the Canadian communication, i.e., "Agreement that a special GATT provision will be negotiated to permit safeguards to continue to be taken on a selective basis under a renewed MFA or another multilaterally-agreed instrument", it was pointed out that this version, while politically prejudging negotiations both in this Group and in the Safeguard Group, suggested the phasing-out of the MFA and phasing-in something else which was fundamentally the essence of the existing MFA. It was also observed that the above mentioned paragraph as well as section II:5, i.e., "Agreement to allow, on a limited and controlled basis, voluntary export restraints to be used", would not meet either the Ministerial Declaration nor the negotiating objective of the Group. In reply to these comments it was stated that the purpose of the submission was to raise possible options in a neutral way and not to prejudice the outcome of negotiations in other areas.

13. The Group was informed by a participant that in March 1988 his Government announced a three-part program of tariff relief measures in the field of textiles. The aim of the measures was bringing down input costs and encouraging textile and clothing firms to restructure their operations. Another delegate stated that despite the steadily increasing import penetration of textiles and clothing in his country, his authorities had chosen not to take a protectionist direction and considered MFA measures as a last resort, though preserving the possibility of taking necessary border measures. Some delegations expressed their concern over the US Senate's recent approval of the Textile and Apparel Trade Bill. It was stated that the Bill, if enacted, would impair trade liberalization efforts in this sector and it was hoped that it would be vetoed.

14. With respect to the Nordic proposal set out in MTN.GNG/NG4/W/14, that an analysis be carried out by the Secretariat of the global economic and trade consequences of the dismantling of all restrictions under the MFA and other trade restrictions in this field, the spokesman for the Nordic delegation informed the Group that on the basis of informal consultations carried out by interested delegations, they concluded that there was no objection in the Group to such a study being prepared in accordance with the terms of reference outlined in the informal note by the GATT Secretariat of 13 July 1988, provided that it would be requested and undertaken in the framework of the GATT Textiles Committee. He stated that the Nordic delegations would undertake to communicate such a request directly to the Chairman of the Textiles Committee. The spokesman for the group of developing countries, members of the International Textiles and Clothing Bureau, stated that, in the light of the explanations provided by the Nordic delegations in the informal consultations, all members of his group participated in the consensus outlined above, because the Nordic delegations agreed that: the preparation of such a study would not be linked to the ongoing work in the Group in order to avoid causing delay in its work; the proposed documentation would be destined for the use of
individual member countries and, hence, it would not be negotiated in the Group or be a pre-requisite to any deliberation in the Group; the documentation would concentrate mainly on the dismantling of the MFA and the consequences thereof; and that the work would be done by the Secretariat based on its technical competence and resources available.

The Group took note of both statements.

15. The Chairman recalled the next meeting of the Group would be held on 2-3 November. In the interim period he would continue informal consultations on his report to the GNG. It was his intention to circulate a first draft of his report before the end of October with a view to finalizing it at the November meeting of the Group.