Group of Negotiations on Goods (GATT)
Negotiating Group on Textiles and Clothing

MEETING OF 24 JULY 1989

Note by the Secretariat

1. The draft agenda, set out in GATT/AIR/2810, dated 6 July 1989 was adopted.

2. The Chairman referred the Group to the following documents:
MTN.GNG/NG4/13, containing the main points raised at the last meeting held on 9 June 1989 and MTN.GNG/NG4/W/24 and W/25 setting out communications received from the European Communities and from Switzerland, respectively. He also drew the Group's attention to a paper which he had circulated on 14 July, containing points for discussion as compiled from the proposals and communications available at that time. The Chairman then invited the sponsors of the two recent communications to introduce them.

3. The spokesman for the EEC, pointed out that the new communication (MTN.GNG/NG4/W/24) carried on from their previous submission (MTN.GNG/NG4/W/12) and that it presented an overall approach to the negotiations for the integration of the textiles and clothing sector into a strengthened GATT framework. He stated that the two main aspects of the negotiations; namely, the integration of the sector into GATT and the strengthening of GATT rules and disciplines were of equal importance and should be tackled in a parallel way, but without preconditions. He outlined a number of general considerations applicable to both of these aspects on which agreement would have to be reached. These included the need for the integration process to be gradual and progressive, i.e., several stages leading to the final objective; the number of steps, their duration and content; agreement on when to begin the process, preferably at the end of the current MFA Protocol; the question of when the integration process should end, to be decided closer to the end of the Round; and the need for multilateral verification through a specifically constituted body.

4. Referring to the integration process, comprising restrictions under the MFA and other restrictions not consistent with GATT rules and disciplines, he noted that other delegations had presented proposals on the progressive elimination of restrictions which could form a basis for discussion on this subject. He felt, however, that the Group should also take into consideration the reference in the Canadian paper to the possibility of transforming quotas to tariffs (tariffication) as well as the Swiss suggestion of a flexible approach to the integration process. He
also referred to the need for a specific transitional safeguard mechanism for this sector, distinct from the overall GATT safeguard measure which could be more flexible than the present system. In this regard, he was of the view that the present safeguard mechanism which basically comprises Articles 3 and 4 of the Arrangement and the basket exit mechanism could not disappear from one day to the next, although some form of progressive relaxation was possible in the course of the overall process.

5. The EEC spokesman further pointed out three main areas covered by the aspect of strengthened GATT rules and disciplines. The first related to contributions by all participants to market openings (comprising tariffs, NTMs, and derogations for balance of payments and infant industry reasons). The second concerned the creation of fair competitive conditions (improved disciplines for anti-dumping and anti-subsidy actions, access to raw materials and the protection of intellectual property). The third was the need to have a revised and improved permanent safeguard mechanism. He emphasized that the negotiation of the subjects he had mentioned relating to the strengthening of GATT rules should take place in the specific group having competence, however, this Group would have the responsibility to follow the work and take into account the progress achieved in the other relevant groups.

6. The delegate of Switzerland introduced their proposal (MTN.GNG/NG4/W/25) which translated the broad parameters set out in the April TNC Decision into an operational work programme for the Group and which comprises three aspects. The first aspect, i.e., modalities for the progressive elimination of restrictions contained four approaches: (a) phasing out of MFA restrictions; (b) transformation of MFA restrictions, e.g., into global quotas, tariffs or tariff quotas; (c) a flexible procedure leaving to the discretion of each participant to choose from the above two approaches; and (d) the identification of non-MFA and non GATT-consistent restrictions through a notification procedure for examination by the Group. The second aspect, i.e., modalities for a transitional arrangement set out six areas where rules and procedures should be established: (a) the renewal of existing restrictions; (b) the use of new restrictions; (c) the time-frame for the start and end of the transitional period; (d) the calendar indicating the different stages; (e) the surveillance of progress; and (f) the applicability of the GATT dispute settlement procedures. The third aspect, i.e., parameters for integration contained a procedure for the examination in this Group of concepts and proposals being taken up in other groups. In this regard it was considered that it would not be required that progress be achieved in other groups before this Group pursued substantive negotiations, however, at some point in the negotiations each participant would have to evaluate whether GATT rules and disciplines had been sufficiently strengthened and a balance of concessions had been achieved.

7. A number of participants welcomed the communications from the EEC and Switzerland, describing them as comprehensive and useful contributions to the Group's work. Several participants provided general comments, while stating that they were not in a position at that point to comment in depth on the papers.
8. By way of general comments on the EEC paper, some participants supported the view that progress in strengthening GATT rules and disciplines was of major importance to the progress of the work in this Group. Some expressed disagreement with the concept of parallelism between the negotiations in this Group on the integration process and the discussion in other groups on the strengthening of GATT rules, considering this concept to be inconsistent with both the Ministerial Declaration and the April TNC Decision. It was also stated, with reference to paragraph 1:6(a) of the EEC communication, concerning the nature and time-frames of post-MFA IV arrangements, that there should be no successor MFA, perpetuating its concepts, but that a modality for the phase-out of the MFA should be negotiated with a view to replacing that arrangement. In these circumstances, there should be no need for a transitional safeguard mechanism during the period of progressive liberalization; rather, recourse would be available, if necessary, to the overall GATT safeguard provisions in respect of trade already liberalized. Opposition was also voiced to the possibility mentioned in section B(1) of converting current restrictions to tariffs, as such a process would be time-consuming, difficult to achieve, and would amount to an exchange of one set of restrictions for another.

9. On the subject of market opening involving contributions by all, referred to in paragraph III(i) of the EEC paper, one participant recalled section B(5) of the Ministerial Declaration, which states that "the developed countries do not expect reciprocity for commitments made by them in the trade negotiations." In addition, since developing countries were not given compensation when the MFA was introduced, they should not now be asked to make contributions. A number of delegations emphasized that before providing more complete observations on the paper, they would require specific details on a number of areas, particularly the proposed transitional safeguard mechanism and the monitoring procedures. It was also noted that the EEC paper provided no information on possible structural adjustment measures in response to the anticipated increase in investment in the sector during the transitional period and the possible role therein of the Sub-Committee on Adjustment.

10. Initial comments on the communication from Switzerland included support for further examination of the concept of flexibility in the development of modalities for the process of integration, tailored to particular country's needs. It was also stated that careful consideration would have to be given to the feasibility of the proposition to establish a notification procedure to identify non GATT-consistent restrictions, as well as to the suggestions in section 3, concerning the possibility of "testing" in this Group concepts or proposals being discussed in other groups. Referring to the proposed notification procedure, it was pointed out that attempts in this Group to determine GATT consistency or otherwise of measures notified could conflict with the work in the Safeguard's Group relating to grey area measures and, in addition, could delay the progress in this Group.

11. The spokesman for the group of developing countries, members of the ITCB commented on a number of points raised at the last meeting. He endorsed the view presented by another participant that all aspects of
negotiations on textiles and clothing tariffs should be taken up in the Negotiating Group on Tariffs, with no aspects of the tariff negotiations being brought before this Group. Referring to the proposal that an inventory of restraints outside the MFA be prepared by the Secretariat, he recalled that the April TNC Decision referred only to "other restrictions on textiles and clothing not consistent with GATT rules and disciplines" and, in this regard, observed that the GATT Secretariat was not in a position to pronounce on the GATT consistency of any restriction. Recalling that one participant had questioned the appropriateness of their proposal that "no further restrictions should be imposed during the phase-out of restrictions under the MFA", he stated that it would be anomalous to impose new selective restrictions during the phase-out, rather such needs could be addressed through the safeguard provisions of the GATT.

12. Some delegations also provided comments on the developing countries' proposal set out in MTN.GNG/NG4/W/23. One participant noted that the proposal referred only to the phasing out of existing restrictions, and it would be helpful if views could also be provided on tariffication, as an alternative approach to such a phase-out. Concerning point (iii), outward processing traffic, it was pointed out that this proposal would result in the termination of these programmes and, consequently, consideration should be given to the possibility of gradual reductions of restrictions in accordance with the approach selected for reducing restrictions. It was also observed that the feasibility of the approaches to eliminating restrictions set out in points (iv) through (vii) provided a mechanical approach to liberalization and these should be reconsidered to take into account the state of the industry in individual countries and the economic situation prevailing during the transition period. Furthermore, the final paragraph, stating that no further measures should be imposed during the phase-out period, should be reconsidered taking into account the need for equity for all participants and the possible effects of such total prohibition. Referring to other provisions in NG4/W/23, one participant expressed support for the supplier approach in paragraph (i)(b); the phasing out of restrictions where there was no domestic production in paragraph (i)(e); and the removal of limitations on flexibility, in paragraph (vii). Support was also extended to the objective of avoiding new restrictions, but with the exception of clear cases of import surge. It was also suggested that a further point could be considered, that is, priority being given to phasing out restrictions where quota utilization for a particular product was low.

13. One participant reiterated the view expressed at previous meetings that it would be helpful to the work of Group to have the Secretariat prepare an inventory of all measures in the area of textiles and clothing which would have to be taken into account in formulating modalities for the integration of this sector into GATT. It was stressed that such information was of considerable importance since it would be difficult to discuss techniques for certain elements until the full parameters of what was to be included in the modality had been established. A number of delegations continued to question the need for such an inventory, although it was recalled that delegations had the right to submit such material to the Group themselves for consideration. One participant was of the opinion
that any undertaking by the Secretariat to identify measures inconsistent with the GATT would require value judgements on the part of the Secretariat and this was unacceptable. In the circumstances, the Chairman suggested that he would hold informal consultations with delegations with a view to presenting a proposal in this regard to the Group, possibly before the September meeting.

14. The Chairman noted that the Group would meet again on 21-22 September and he proposed further meetings on 31 October plus half days on 1 and 2 November, as well as on 13-14 December.