1. The draft agenda, set out in GATT/AIR/2893 of 28 November 1989, was adopted.

Introduction

2. The acting Chairman, Mr. M.G. Mathur, referred the Group to document MTN.GNG/NG4/16, a note by the Secretariat containing the main points raised at the last meeting. He also referred to the following new proposals before the Group: MTN.GNG/NG4/W/29, by Bangladesh on behalf of the least-developed countries; MTN.GNG/NG4/W/30, by Finland on behalf of the Nordic countries; MTN.GNG/NG4/W/31, by the ITCB on behalf of a number of developing countries; MTN.GNG/NG4/W/32, by Indonesia on behalf of the ASEAN countries; and MTN.GNG/NG4/W/33, by the United States.

Discussion of new proposals

3. Following the introduction of the new proposals by the respective proponents, the Group engaged in an exchange of views on each. A number of participants noted that since some of the proposals had been received shortly before the meeting, their comments thereon were preliminary at this juncture. The main trends of the discussion are summarized briefly in the following paragraphs.

4. The representative of Bangladesh, speaking on behalf of the least-developed countries introduced their proposal, set out in MTN.GNG/NG4/W/29; namely, that all existing restraints on exports of textiles and clothing from LLDCs shall be phased out on an accelerated basis; that pending the integration of this sector into GATT, no restraints shall be applied to imports from LLDCs; that the concept of any transitional régime shall not apply to LLDC's; and that these countries shall be exempt from any safeguard measures negotiated in this Group. He stressed that the LLDC proposals were not to be considered comprehensive or final but would be elaborated upon as the specific modalities evolved during the course of the negotiations.

5. A number of participants welcomed the proposals of the least-developed countries and noted that the April TNC Decision for textiles and clothing as well as several of the proposals before the Group contained provisions encouraging special treatment for the least-developed countries. Participants expressed their agreement with the approach whereby greater
precision would be given to the LLDC proposals as the negotiations proceeded. In this regard, it was pointed out that consideration would have to be given to the question of which countries would qualify for such special treatment.

6. The representative of Finland, speaking on behalf of the Nordic countries, introduced their proposal contained in MTN.GNG/NG4/W/30. He pointed out that it was intended as a negotiating document with the objective of striking a balance between the interests of importing and exporting countries. In reviewing the main provisions in the proposal, he noted that it specifically addressed the modalities for phasing out MFA restrictions. He said that the Nordic position on the modalities was clearly set out in the proposal, however he wished to recall their views on the concept of freeze as stated on previous occasions, that is, during the transitional period the objective would be to avoid entirely new restrictions with the exception of clear cases of import surges causing or threatening to cause material injury. Referring to the aspect of time frames, he noted that the termination date for the integration process should not be later than 31 December 1999, but added that a more rapid timetable could be considered. For the monitoring of the integration process, he pointed out that a committee framework, complemented by a working party, was being suggested although other feasible options would be negotiable. It was also considered that the annual growth rates set out in the document could be lower or higher depending on the final decision as to the length of the transitional period. Referring to the need to structure the discussions in the future, he remarked that it was the prerogative of the Chairman to do so, as he considered appropriate.

7. A large number of participants expressed general support for the concepts, structure and specific provisions set out in the Nordic proposal. In so doing, several participants pointed to certain divergences from their own approaches but considered that, in most cases, these could be bridged through the negotiation process. Referring to Part 1 (scope), concern was expressed that the coverage set out therein, that is, the MFA and other restrictions specifically affecting trade in textiles was not fully consistent with the terms of the April TNC Decision. With respect to Part 2 (strengthened GATT rules and disciplines) the point was made that the concept of a specific transitional safeguard mechanism should not be included under this heading but should be set out as a separate item. Also on this subject, support was expressed for the Nordic view that a specific transitional safeguard mechanism should be developed to deal with the particular situations and problems in the textile sector and that it should operate only during the transitional period under well defined-rules. In this regard, other participants recalled their position that a transitional safeguard mechanism should not be available for new restrictions nor for trade liberalized during the transitional period; rather, the integration process should be accompanied by the progressive application of the general GATT safeguard provisions. Also referring to Part 2, some participants noted the reference therein to the concept of market disruption and pointed out that this concept should have no place in any future régime.
Referring to Part 3 of the Nordic proposal (modalities for the integration process), a number of participants expressed support for the uniform phase-out technique and pointed out that the Nordic proposal, in conjunction with a number of proposals on this subject from developing countries, presented an acceptable basis for negotiation. In this regard, it was observed that a progressive increase in growth rates alone would not lead to the elimination of the current restrictions and, consequently, an approach based on a combination of complementary modalities would need to be developed. It was also suggested that it would be preferable to develop a process for eliminating restrictions based on a system already well known to all participants than to attempt a transformation to totally new and complex methods. In this respect, the point was made that any transitional arrangement should continue to be based on export controls. Furthermore, it was observed that in a transformation to tariff equivalents or tariff quotas, agreement on conversion rates would be very difficult to achieve while for global quotas, new limitations would have to be introduced for various products and countries. It was also considered that, under a flexible approach, participants would tend towards the more restrictive options. Another participant stressed, however, that the transformation options remained on the table and should be fully examined by the Group. Further comments on the transformation options were made in the context of the discussion on the United States' proposal, see paragraph 14.

Referring to Part 4 of the Nordic proposal (time spans), one participant, while indicating a preference for a period shorter than eight years, commented that the actual length of any transitional period would be dependent upon the integration process decided upon. The view was also expressed that the phase-out period should be shorter than eight years and some indicated a preference for the five-year period mentioned in the Indian proposal. In respect of the specific proposal set out in Part 6, some participants commented that it was probably too early to take firm positions on specific growth rates although those contained in the proposal provided useful guidelines. With regard to the "other measures" listed in Part 6, one participant said that further study was required with respect to the implications of the immediate removal of aggregate limits as well as restrictions on under-utilized quotas while children's clothing should not be treated differently from adult clothing. Another participant suggested that the list of other measures should include the elimination of restrictions on OPT.

The representative of Indonesia speaking on behalf of the ITCB, said that their proposal in document MTN.GNG/NG4/W/31 developed their basic approach for the phase out of MFA restrictions, as set out in earlier proposals, into a more elaborate modality while also addressing other issues in the April TNC Decision on textiles and clothing. He urged other participants, in pursuance of the three-stage framework for the completion of the negotiations agreed to at the July TNC meeting, to finalize their positions so that from the next meeting the Group could enter into intensive and detailed negotiations.

A large number of participants welcomed the ITCB proposal and many considered that it offered a good basis for developing a framework for the
phase out of MFA restrictions. In this regard, it was noted that the ITCB and Nordic proposals as well as those provided by other developing countries contained many complementary aspects. In expressing support for the approach of the phase out of existing restrictions, it was pointed out that there were three major considerations underlying the preference for such an approach; namely, certainty and predictability, practicability and minimal disruption, and equitable development of trade among suppliers. Several participants expressed their agreement with particular approaches in the proposal including those relating to the application of safeguards, strengthening of GATT rules and disciplines, as well as monitoring and dispute settlement mechanism. One participant pointed to the various categories of suppliers proposed for special treatment and expressed concern that such an approach could lead to a proliferation of bilateral measures. He felt that, in returning to GATT, there should be no instruments that would encourage special and differential treatment and no strictures against employing GATT provisions such as anti-dumping and countervailing measures, even during the transitional period.

12. Referring to the section in the ITCB proposal on monitoring and dispute settlement, another participant disagreed with the need for a special dispute settlement mechanism during the phase-out period as such procedures already existed in the GATT. With respect to the section on time spans, it was noted that any time spans adopted would have to be reflective of the modality decided upon; nevertheless, some participants clearly preferred a shorter period, such as five years, while others pointing to the need for adjustment in both importing and exporting countries, supported an eight-year period. It was noted in this regard that not only the time spans but also the need or otherwise for a specific transitional safeguard mechanism would be determined, in part, by the outcome of the discussions on modalities.

13. The representative of the United States pointed out that the proposal set out in MTN.GNG/NG4/W/33 was an elaboration on their earlier statement (MTN.GNG/NG4/W/26), and that it addressed three of the main areas in the negotiations: scope, strengthened GATT rules and disciplines, and the nature of the integration process. He suggested that these subjects should be addressed in the negotiations through parallel discussions rather than in series. Concerning the scope of the negotiations, he recalled that their September statement had outlined six categories of measures which needed to be addressed under this heading and in this regard he drew attention to the specific two-part proposal in the current paper as a possible solution to this issue. Under this proposal any integration process adopted during the Uruguay Round would encompass all measures affecting trade in this sector and, at the end of the integration process, no Contracting Party would undertake or maintain any measures in this sector which had not been justified under a GATT provision and notified to the appropriate GATT body. Concerning the relationship of strengthened GATT rules and disciplines to the progress of the work in this Group, he said that, rather than attempting to reach a consensus on a specific formula, it was proposed that participants accept that those who have points to make should do so as part of the ongoing negotiations as they deemed necessary or appropriate. While noting that a number of the
proposals before the Group focused on an MFA-based transitional arrangement, he urged that serious consideration also be given to two alternatives: global-type quotas and global-type tariff rate quotas. He commented that, on the basis of the analysis conducted so far by his authorities, these two alternatives offered more advantages for all concerned in that they would promote a multilaterally-agreed set of procedures along simple lines as well as greater transparency and certainty in both importing and exporting countries. He said that detailed proposals on these alternatives would be provided prior to the next meeting scheduled for 5 February, at which time he would be fully prepared to elaborate on these concepts.

14. Commenting on the United States proposal, one participant was of the view that it contained a possible solution to the question of the scope of the negotiations in this Group in the above-mentioned two-part proposal on this subject. Referring to the second portion of this proposal, it was stated that such an undertaking had wider implications than just textiles and clothing and should apply to all sectors of trade and for each obligation assumed under the General Agreement. With respect to the proposals for modalities as set out in the section on the nature of the integration process, the view was expressed that modalities other than the phase out could present real advantages in terms of transparency and equity and they should be examined in the Group. Another participant commented that an important advantage of the transformation options was that they accommodated a move towards a tariff-based régime, more in accordance with GATT's traditional principles. Some participants, however, expressed caution that any application of a transformation option must not extend current restrictions to un-restrained countries and that, before embarking on any course other than a phase-out, the presence of benefits to all participants would have to be clear and unequivocal. In this regard it was pointed out that liberalization could only be achieved if considerable reductions in the levels of restrictions accompanied such conversion process. Concern was expressed that the transformation options would not represent a move away from restrictiveness and would lack the essential criterion of simplicity. A number of participants said that more detailed comments would be provided when the further United States contribution on this subject was available.

15. One participant drew attention to the previous United States submission (MTN.GNG/NG4/W/26) and particularly category 4 under the scope of the integration process. He said that his country, being a member of the MFA but not of the GATT, had undertaken GATT obligations in so far as textile trade was concerned and, consequently, should not be treated separately in any integration process.

16. The representative of Indonesia, speaking on behalf of the ASEAN countries introduced their proposal set out in MTN.GNG/NG4/W/32. He highlighted the fact that this proposal supported the concept of a transition based on a phase out of the MFA to be completed by the year 2000. He further pointed out that the ASEAN countries would be ready to examine the issue of strengthened GATT rules and disciplines when the countries concerned had tabled concrete proposals in the relevant negotiating groups.
17. A number of participants expressed their general support for the ASEAN proposal and some pointed out that its approach was, in many respects, complementary to those contained in the ITCB and Nordic proposals. One participant observed, in particular, that the time frame for the phase out of restrictions, that is, starting on 1 August 1991 and to be completed by the year 2000, coincided with the time frame proposed by the Nordic countries. In this regard, it was suggested that such a time frame should be the maximum for a transition period, subject to negotiation.

Discussions on earlier proposals

18. The spokesman for the EEC provided responses to a number of questions and statements made at earlier meetings in respect of their proposal (MTN.GNG.NG4/W/24). In response to the view expressed by a number of participants that any transitional safeguard mechanism should not be applicable to new products nor to those liberalized (de-restricted) during the integration process, he pointed out that such a limitation would only encourage hesitation and resistance in the importing countries to the early removal of restrictions. On the other hand, if the mechanism were to be applicable to a broad range of products, an incentive to advance the liberalization process would be present. Accordingly, he considered that the Group should proceed with the work of defining the overall criteria for such a transitional safeguard mechanism. On the subject of the strengthening of GATT rules and disciplines, he noted that the views expressed in some recent proposals reflected the same overall viewpoint as the EEC in its proposal, and, consequently, he was encouraged that a broad convergence of views was emerging on this subject.

19. Concerning the earlier discussions on the subject of access to raw materials, he pointed out that artificially created price differences in textile raw materials were a possible element in the distortion of fair international competition. These resulted from four practices: export restrictions; export prohibitions; minimum export prices; and subsidization of raw material production in favour of domestic textile production. This subject, he said would be taken up in the appropriate negotiating group and general disciplines would be sought.

Chairman’s summary

20. In summing up, the Acting-Chairman noted that the Group had before it a very wide range of proposals setting out the perceptions and approaches of delegations on a number of issues. He observed that, in spite of the diversity in the proposals, all reflected a common commitment to the eventual integration of the textiles and clothing sector into GATT on the basis of the Punta del Este Declaration and the April TNC Decision. He further commented that the Group’s discussion on the proposals had produced reactions from participants as well as useful clarifications and a number of questions. He anticipated that the Group would continue its examination of the proposals before it at its next meeting and, as indicated by at least two participants, would have the benefit of additional proposals.
21. He recalled the suggestion endorsed by the TNC last July that "by the end of the first stage in December 1989, it would be essential to have the respective positions of participants clearly established by means of written proposals or statements in the different groups. By this means participants should be in a position to make a first evaluation of the work, done so far and the extent to which this matched the objectives in the Punta del Este Declaration, including those relating to the participation of developing countries". He further recalled that, in the second stage it would be necessary "to build bridges between differing positions and to strike a balance both within and between negotiating groups". In moving to the next stage, he said that he sensed a widely-shared feeling that the Group needed to begin an issue-oriented process of discussion, exploring in depth the key approaches and issues that confronted the Group in order to resolve the problem areas and develop agreed approaches. While not proposing a list of such issues, he considered it would be useful if all participants were to come prepared to discuss at the next meeting, in addition to the proposals before the Group, one or more specific issues. Accordingly, he suggested and the Group agreed to address in depth the issue of modalities or techniques for the phasing out of restrictions on textiles and clothing so as to promote the integration of this sector into GATT, while not precluding taking up other issues at the same time.

Future meetings

22. Future meetings of the group had already been scheduled for 5-7 February; 5-7 March and 4-6 April, 1990.