During the initial phase of the work being undertaken by this Negotiating Group (NG), participants focused attention on preparatory work, examining the broad information base made available by the Secretariat and by other participants. Since the beginning of this year, however, discussions have turned to an examination of the techniques and modalities to bring about the eventual integration of textile and clothing trade into the GATT, the stated negotiating objective of this group.

In this context, papers have been put forward by a number of participants addressing this objective. Broadly speaking, the exporters have focused their attention on the eventual dismantling of the Multi-Fibre Arrangement (MFA), and have put forward various suggestions on how to achieve this objective. On the other hand, the importers have placed the integration of trade in the textile and clothing sectors into the GATT in the broader context of developments being made on other MTN issues. Also, in their submission to the NG, the Nordic countries have expressed the need for a study by the GATT Secretariat on the implications and consequences of dismantling the MFA.

It has become apparent to us, through both formal and informal discussions, that there exists a wider range of possibilities for ultimately achieving the goals set for this NG than those advanced so far. In the process of formulating a Canadian position, we have found it useful to catalogue a list of such options which, upon further examination of their technical feasibility, could contribute towards orienting the work of the group. Therefore, in the interests of facilitating the progress of our negotiations, this paper presents a broad spectrum of these options for consideration by the group in the hope that they will generate fruitful discussion which will help us shape the future of the textile trade to the best advantage of all participants here. It should be pointed out that our consolidation in this paper of the various scenarios for group examination should not be construed as agreement on Canada's part to adopt any particular one or more of them as a future course to follow. Nor do we believe that our list is exhaustive.
Generally speaking, two broad types of modalities for liberalization have surfaced to date: those that address the dismantling of the MFA within a certain timeframe, and those that deal with all measures outside the GATT framework including the MFA. Moreover, two basic techniques have been suggested: 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.

Outlined below are a wide range of options for modalities to integrate textile trade into the GATT. Those listed first pertain exclusively to a phase-out of the MFA; the second group also address the MFA, but in the context of dealing with other provisions that will permit integration of the sector into the GATT. The options are not, however, mutually exclusive, and may be examined in combination.

I. Options for Phasing-Out the MFA Over an Agreed Time Period.

1. Liberalizing the principal elements of MFA by requiring larger growth rates and flexibility provisions for quotas than current MFA guidelines suggest, and by eliminating special circumstances.

2. Introducing minimum price breaks as a criterion for seeking to establish restraints.

3. Phasing out the application of MFA measures in specific industry sectors at different rates, e.g. phasing out yarn restraints first, followed by fabric restraints, then those on made-up textile articles, and finally clothing restraints;

4. Phasing out over a specified period of time all bilateral restraints (for example, perhaps turning first to those restraints in place with least-developed supplying countries) according to a multilaterally-agreed timetable;

5. Agreement that each country maintaining MFA quotas would convert them to global quotas which would be phased out in accordance with relevant safeguard criteria (e.g. Article 19), based either on the total volume of applicable MFA quotas only, or on total trade in the quota categories, and

6. Agreement to convert all quotas maintained under the MFA to their tariff equivalents or to tariff rate quotas, and to reduce or phase them out over an agreed time span.
II. Phasing Out the MFA in the Context of Dealing with Other Provisions Necessary to Permit Integration of this Sector into the GATT.

Any modality cited in Section I above, in combination with one or more of the following provisions:

1. Commitment from importing countries not to use GATT provisions to impose restraints that would be more restrictive than those maintained under the MFA;

2. Commitment to reduce or phase out all GATT inconsistent measures in this sector;

3. A broader commitment by all participants, in accordance with approaches of general application, to reduce or eliminate tariffs and non-tariff measures in textiles and clothing products and, in the case of tariffs, to undertake much more extensive bindings and a commitment not to maintain or increase rates above specified levels;

4. 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;

5. Agreement to allow, on a limited and controlled basis, voluntary export restraints to be used.

In examining these options the following questions should, inter alia, be addressed:

- Is the option technically feasible (e.g. is it technically feasible to translate quotas into their tariff equivalents in a non-discriminatory manner)?

- Does the option ensure that all textile restraints or other textiles provisions being maintained by any GATT member or any member of NG-4 would, if the option were fully implemented, be "integrated into GATT on the basis of strengthened GATT rules and disciplines, thereby also contributing to the objectives of further liberalization of trade"?

- Is there sufficient data available to the group to permit a reasonable assessment of the impact of each option on the outlook for trade flows and domestic production of textiles and clothing within individual countries? If not, could such data be obtained?
What is the relationship between the option and any developments in other negotiating groups (e.g. tariffs and non-tariff measures)?

What GATT rules and disciplines have been or would need to be "strengthened" sufficiently to permit any given modality to be implemented within the context of the negotiating objective of this group?

What should be the effective date for beginning the implementation of any given option? What should be the termination date for options which involve phasing-out of restraints?

As we approach the halfway point of our negotiations in the Uruguay Round, it is our hope that presentation of the above options and questions will serve as a point of departure for more concrete discussions on how best to achieve our mandate. It should be noted, however, that while it is undoubtedly still too early to define exactly what sort of phase-in arrangements should be followed to return trade in this sector to GATT disciplines, it must, at this stage, be acknowledged that any such arrangements will be central to dealing with adjustment challenges which may be encountered in the future.

Canada's own commitment to liberalize access to our market is reflected through a number of measures. On March 22, the Canadian Government announced a three-part program of tariff relief measures, including immediate tariff reductions on speciality fabrics, new duty remission programs and a major initiative to reduce textile tariffs in the future to levels comparable with those in other industrialized countries. Canada believes that the key to the future of our textile and apparel industries lies in fundamental improvements in their ability to compete. The tariff relief measures, aimed as they are at bringing down the input costs of Canadian textile and apparel firms and encouraging them to restructure their operations, should facilitate the progress made to become more efficient, more able to meet the challenge of international textile trade liberalization.