Report By The Chairman on Informal Consultations

1. The Chairman recalled that the informal consultations he was currently carrying out were part of an on-going process which had begun last July. In reviewing developments during this period, he commented that, at the first meeting of the Negotiating Group, on 5 July, some of the key areas which could benefit from technical examination were identified. The Group had decided, with the draft text in MTN.TNC/W/35/Rev.1 as an agreed negotiating basis, that work should begin on product coverage in Annex II and on the transitional safeguard mechanism in Article 6. In pursuance of this, informal discussions had been held on 15/16 July, focusing on the Trade Data Paper of 29 May and product coverage in Annex II; the outcome of which he had reported to the Group on 19 July. Thereafter, informal discussions had continued on 22 July with an initial exchange of views on the transitional safeguard mechanism in Article 6. He also noted that a revised Trade Data Paper, containing a number of corrections and additions provided by participants, had been circulated on 26 July.

2. The Chairman reported that, following the summer break, consultations had re-started on 23 September and continued on 24 and 25 September. The objective of these consultations continued to be a fuller understanding of the positions of delegations, and clarification of terms and concepts in the draft text in MTN.TNC/W/35/Rev.1, in order to arrive at a clearer, more predictable and fully implementable agreement. He said that Articles 6 to 11 of the draft text had been taken up, with the transitional safeguard mechanism in Article 6 receiving particular attention. In this process, it had become clear that while delegations would not wish to unravel the negotiating basis, there were fundamental policy concerns which needed to be looked at very carefully.

3. The Chairman explained that participants had exchanged views on the general approaches upon which the transitional safeguard mechanism should be based, bearing in mind the overall objective of the transitional period: "to formulate modalities that would permit the eventual integration of this sector into GATT on the basis of strengthened GATT rules and disciplines, thereby also contributing to the objective of further liberalization of..."
trade". Two broad approaches had emerged; namely, the so-called "self-standing" and so-called "integrated" safeguard measures. Participants had felt that this broad question might best be addressed by a thorough examination of the specific provisions of the safeguard mechanism.

4. Accordingly, referring to Article 6.1, relating to the application of the safeguard, he said that discussions had focused on questions such as: could all signatories to the new agreement be subject to safeguard actions? Could all signatories apply the safeguard or would its application be limited to those who had undertaken an integration programme in accordance with Article 27? Related to this was the position of countries with little or no imports, as well as the question of countries which did not maintain restrictions under the MFA or were not members of the MFA. Another question touched upon was the treatment of non-GATT contracting parties under the agreement.

5. In Articles 6.2 to 6.4, an important issue for discussion was the question of the "two-tiered" approach in the draft text involving global criteria for invocation of a safeguard measure and selective criteria for applying such a measure on a country-by-country basis. He also reported that Article 6.6, relating to special and differential treatment for certain categories of exporters, had been discussed in great detail. In addition to these key issues, he noted that many other terms and expressions in a number of paragraphs in Article 6 had been examined.

6. The consultations had also addressed Articles 7 to 11, wherein delegations had shared specific concerns and had put forward suggestions to address them. With regard to Article 7, Additional Trade Measures, it was generally felt that solutions were linked to the shape of the overall Uruguay Round package. A detailed discussion had also taken place on Article 8, GATT Rules and Disciplines, and it was considered that this Article would have to be looked at again, also in the context of the global Uruguay Round framework.

7. As regards Article 9, Monitoring, Surveillance, Review and Dispute Settlement; Article 10, Time Span; and Article 11, Final Provisions participants had raised a number of important questions of an institutional and legal nature which would need further examination. It was also felt that these Articles could only be meaningfully dealt with in the context of finalising the modalities for implementing the overall package of results of the Uruguay Round negotiations.

8. In drawing conclusions, the Chairman said that the consultations had been very useful in putting squarely on the table the objectives and concerns of participants, and in clarifying the concepts and terms contained in the draft text. He felt encouraged by the genuine dialogue which was taking place and the shared desire among participants to make speedy progress. He proposed to continue the consultations, considering that after a thorough re-reading of the entire text of the draft agreement, participants would be poised for the final negotiations and trade-offs.
9. As to the organization of the Group's work, he stressed that time was rapidly running out and if the Uruguay Round was to be concluded in the "time zone" within which all parties were working, political breakthroughs would be required in all the negotiating areas by October/November and textiles would certainly be no exception. The coming five or six weeks would, therefore, be critical, and he urged all parties to negotiate intensively and boldly. He reminded participants that in this process, the understanding remained that nothing was agreed until everything was agreed, both in respect of the individual agreements and the whole package. He said that it was his intention to continue and intensify bilateral, plurilateral and multilateral consultations on all levels, regularly informing the Group about the results. To ensure that the fullest possible transparency was maintained, he proposed that this Group be kept on call, ready to convene at short notice.

10. The Group took note of the Chairman's report.

11. Some participants pointed out that GATT contracting parties who were not MFA members and who neither applied nor were subject to textile quotas or voluntary export restraints should be subject only to GATT rules and disciplines. Consequently, whatever integration process might finally be decided upon for textiles and clothing, it must not prejudice the GATT rights and obligations accruing to such parties.

Continuation of Substantive Negotiations on Modalities for the Integration of the Textiles and Clothing Sector into GATT

12. In view of the situation in the on-going informal consultations, it was not considered to be an appropriate occasion to move to substantive negotiations in the Group.