

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

Spec(85)30
9 July 1985

DRAFT OUTLINE

REPORT OF THE WORKING PARTY ON TEXTILES AND CLOTHING

I. Background

1. Ministerial Decision of November 1982:
 - (a) Textiles and Clothing Study by GATT Secretariat (Spec(84)24 and addenda);
 - (b) Establishment of the Working Party; terms of reference; membership; chairmanship.

II. Meetings and Documentation

1. Meetings held.
2. Invitation by Chairman to interested participants to submit suggestions and information (Spec(84)45).
3. Contributions by delegations (MDF/W/6, MDF/W/7, MDF/W/11 and MDF/W/15).
4. Secretariat papers on Options A, B, C (MDF/W/13, MDF/W/24 and MDF/W/32); Technical notes (MDF/W/12 and MDF/W/22).
5. Interim report to the Council (L/5709) in November 1984; extension of mandate (L/5760/Rev.1).
6. Continuation of examination of various options in 1985.

III. Objective of the exercise and approaches to trade liberalization

(a) Objective of the exercise

- It was stressed that the objective of the exercise was to examine modalities for further trade liberalization in textiles and clothing, including the possibilities for bringing about the full application of GATT provisions to this sector as a positive process that should lead to an improvement in the existing system governing this trade.

(b) Views on the issue of commitments towards liberalization

- Some participants stated that the exercise should result in agreed commitments on further liberalization of trade in textiles and clothing; others maintained that the basic task of the Working Party was to examine modalities for trade liberalization without seeking to identify or negotiate any agreed solution.

(c) Views on the question of "joint contributions"

- Some participants advocated that progress towards further trade liberalization was a responsibility shared by all participants, and that liberalizing actions (contributions) would be made on the basis of possibilities facing each participant. Developing participants stated that contributions should come only from participants who were maintaining restrictions that were not justified in terms of GATT provisions.

IV. Modalities for liberalization

1. Options identified by the Working Party

- Description of the three options.

2. Views expressed regarding Option A

- Some participants stated that a return to GATT rules was both the objective in itself and the modality for liberalization. After twenty-four years of discriminatory quantitative restrictions in the form of the MFA and its predecessors, there should be a return to GATT rules which, if applied properly, should bring about liberalization. Others observed that a return to GATT rules might not automatically lead to liberalization, because if all GATT Articles relating to the use of restrictions were fully applied, the net result could be one in which trade was more restricted than at present.
- Some participants stated that the full application of GATT rules with a movement towards liberalization would have to be guided by the principles and objectives of equal treatment and non-discrimination, elimination or reduction of protectionist measures in various forms, and Part IV of GATT. Some participants believed that in the absence of the MFA, there would be a strong possibility that restrictive measures under GATT cover, including Article XIX, would be applied, and that there could also be increased use of grey-area measures.
- It was generally noted that any process of liberalization, if gradually implemented, would ease the process of structural adjustment. Various elements of a transition period had been

discussed. It was also emphasized that a phase-out programme would have to be credible. Various techniques to start the process of dismantling existing restrictions were suggested, including the removal of consistently under-utilized quotas and enlargement of quotas.

3. Views expressed regarding Option B

- Some participants maintained that Option B offered a wider scope for liberalization since this option, unlike Option A, was not confined to those measures which did not have GATT cover. It therefore allowed contributions from all participants in a common effort towards liberalization. Developing participants stated that this was not a valid option on the grounds that restrictive measures with GATT cover could not be dealt with in the same context as those without such cover.

4. Views expressed regarding Option C

- Developing participants considered that adoption of Option C did not preclude the full application of GATT rules; it culminated logically in a phase-out of the MFA leading to GATT. Other participants stated that the option might or might not lead to a return to GATT rules.
- Some participants considered this option as relating also to measures other than those maintained under the MFA. Developing participants saw this option as relating only to the MFA, because a commitment to liberalization of other legal measures could not be linked to liberalization of the MFA.

- Various suggestions for possible liberalization under the MFA framework were made. These covered such areas as: Article 3 and 4 agreements, product categorization, Article 6, Annex A, Annex B, different treatment for the textiles and clothing sectors, transforming quotas into tariffs, quota utilization, equity, mvp provisions, etc.

- The idea of a "sunset provision" for MFA IV was suggested.

[5.] Inter-relation of various options

- Any other comments?

[6.] Further discussion

- Issues not addressed?

IV. Conclusions

- The importance of the issue of textiles and clothing and its relevance to the broader objective of trade liberalization and the strengthening of the GATT system.

- The need for contracting parties to continue consideration of how the treatment of textiles and clothing could be improved consistent with GATT objectives.

- Whether or not the Working Party can reach any common view on certain issues or modalities or techniques to achieve further liberalization at this juncture? [Difference of opinion as to whether the Working Party's conclusions should include recommendations?]