

MEMORANDUM

To: Members of the Textiles Surveillance Body

From: The Chairman

I am sending you herewith a note on the problem of those countries which are not contracting parties to GATT, but members of the Textiles Arrangement. Such is the case with Mexico.

The problem has been studied by the GATT secretariat and the conclusion is that it could best be solved by a general reference to the provisions of the GATT, and not to particular Articles (see paragraph 2 of the attached note).

I have also discussed this note with Mr. Garrido and he is in agreement, in principle, with its contents.

I am, of course, quite ready to discuss the note with any interested member of the Textiles Surveillance Body before our next meeting on 27-28 June 1974 when we shall take up the matter and when I shall invite all members to give their views on the attached note.

Finally, I would like to insist on the purely informal character of the note which is solely destined to serve as a basis for our discussion.

GENERAL AGREEMENT ON TARIFFS AND TRADE

CONFIDENTIAL

TEX.SB/W/8
25 June 1974

Textiles Surveillance Body

THE CASE OF COUNTRIES WHICH ARE NOT CONTRACTING PARTIES TO THE GATT, BUT MEMBERS OF THE TEXTILES ARRANGEMENT

Article 2, paragraph 2, of the Arrangement says:

"Unless they are justified under the provisions of the GATT (including its Annexes and Protocols), all unilateral quantitative restrictions and any other quantitative measures which have a restrictive effect and which are notified in accordance with paragraph 1 above shall be terminated within one year of the entry into force of this Arrangement, unless they are the subject of one of the following procedures to bring them into conformity with the provisions of this Arrangement...."

This raises the problem of the countries which are not contracting parties to the GATT, but members of the Textiles Arrangement. Mexico is such a case. In considering it, we should be inspired by the spirit of the General Agreement and those dispositions contained, for example, in Article XVIII and in Part IV which could be applicable, mutatis mutandis, to Mexico.

To serve as a basis for consideration by the TSB of such a case, the Mexican authorities could submit a memorandum to the TSB containing, in particular, the following items:

1. Data on production, importation and exportation of the main groups of textiles during the last three to four years.
2. Description and practical operation of the general import licensing system in force in Mexico, and specially its application to the textile sector.
3. Reasons for the application of the licensing system to the textile sector, with particular regard:
 - to the rôle of the system, both in the protection and the development of the Mexican textile industry;
 - to the relations between the licensing system in the textile sector and the aims of raising the general standard of living of the people;

- to the difficulties or hardships that may be expected upon relaxation or elimination of the restrictions.
- 4. Effects of the system on the development and the consolidation of the Mexican textile industry and on the import trends of textiles into Mexico.
- 5. Non-discriminatory character of the system.
- 6. Practicability of using alternative measure which would be consistent with the spirit of the General Agreement.

It is to be noted that the foregoing would not constitute any interpretation of the General Agreement, nor prejudice in any way the procedure to be followed were Mexico one day to become a contracting party to GATT. The problem of the Mexican restrictions would then have to be settled in the context of any negotiations for accession to GATT and in terms of any protocol covering Mexico's accession.

It is also to be noted here that the same type of proceedings as those described above, or as modified by the TSB, would take place when other countries, which are not contracting parties to the GATT, became members of the Textiles Arrangement.