

SENIOR OFFICIALS' GROUP

Record of Discussions

Note by the Secretariat

1. The Group of Senior Officials, established by the Decision of 2 October of the CONTRACTING PARTIES (L/5876), instructed the secretariat to issue summary records of the Group's discussions.

2. At the meeting of the Group on 12 November, the Chairman stated his understanding that the record would cover only substantive discussions, and noted that most of the Group's discussions after the meeting of 1 November had covered points of procedure.

3. These summary records are accordingly being issued by the secretariat under the symbol SR.SOG/- as follows:

SR.SOG/1	14 October	SR.SOG/7	30 October (first part)
SR.SOG/2	15 October	SR.SOG/8	30 October (second part)
SR.SOG/3	16 October	SR.SOG/9	31 October (first part)
SR.SOG/4	22 October	SR.SOG/10	31 October (second part)
SR.SOG/5	23 October (first part)	SR.SOG/11	1 November (first part)
SR.SOG/6	23 October (second part)	SR.SOG/12	1 November (second part)

Substantive points made at the meeting of 8 November will be included in SR.SOG/11.

4. During the discussions, a number of delegations referred to explanations of their positions given in written communications and statements with regard to the proposed new round of multilateral trade negotiations. Reference was also made to relevant statements in the Council debates on 5-6 June and 17-19 July 1985 (C/M/190 and C/M/191, respectively) and in the special Session of the CONTRACTING PARTIES held on 30 September - 2 October 1985 (4SS/SR/1-5).

5. Some delegations stated in the Group that they had frequently refrained from intervening in the discussions because they felt that their positions had been adequately set out in the communications, statements and records referred to in paragraph 4 above, or had been expressed by another delegation, or because they had reserved their right to revert to some of these matters at a later stage in the preparatory process.

6. Two copies of these summary records will be issued to each contracting party. Further copies will be available on request.

¹These communications and statements are: Developing countries L/5647 and L/5744, 24 Developing countries L/5818 and Add.1, ASEAN countries L/5848, Australia L/5842, Austria L/5849, Brazil L/5852, Canada L/5834 and L/5836, Chile L/5850, EFTA countries L/5804, European Communities L/5835, Jamaica (informal paper circulated to the Group), Japan L/5833, Korea L/5851, New Zealand L/5831, Nordic countries L/5827, Switzerland L/5837 and L/5883 (originally issued as Spec(85)52), United States L/5838 and L/5846.

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

SR.SOG/7

22 November 1985

Special Distribution

SENIOR OFFICIALS' GROUP

Record of Discussions

Discussions on 30 October (first part)

Note: Discussions in the Group during the first part of this meeting were devoted to a number of statements, on topics also discussed in the Group on 23 October, made by delegations which had on that date reserved the right to revert to these matters. These statements are recorded at the appropriate points in SR.SOG/5 and SR.SOG/6.

Following these statements:

The representative of Turkey recalled his country's position, stated on many occasions in the Textiles Committee and the Working Party on Trade in Textiles and Clothing, that Turkey attached great importance to the process of liberalization in textiles and clothing trade. He stressed that he had been disappointed to see that this important question had either been totally omitted, or not given the emphasis it deserved in the submissions of countries which followed strict import policies for textiles and clothing. He did not think that the fact that exchanges of views on the future of the MFA were already taking place justified excluding this subject from the coverage of the proposed new round. It was known to all that the developing countries had a crucial interest in the liberalization of trade in textiles and clothing. Turkey therefore believed that this subject should be discussed fully in the course of the proposed new round, especially as all countries which had taken part in the exchange of views on the future of the MFA had expressed their belief in the need for liberalization in this field. It should be clear that liberalization in other fields could not be achieved without liberalization in textiles and clothing because the capacity of many developing countries to open their domestic markets would be conditioned by the possibility to develop their exports of products such as textiles and clothing in which they had an undeniable competitive advantage. Turkey had taken part in the activities of the Working Party set up to fulfil the mandate contained in the Ministerial Declaration of 1982, believed that useful work had been done in that forum and hoped that the CONTRACTING PARTIES to which it would report in November would renew its mandate because the modalities which it had considered needed further examination. The representative stated that Turkey had autonomously reduced the import restrictions which it had been applying in respect to trade in textiles and clothing as part of the measures applied for balance-of-payments purposes. He hoped that this development would facilitate the dismantling of restrictions faced by Turkish exports in the markets of Turkey's principal industrialized trading partners.

The representative of Poland stated that like many other restrained suppliers, Poland believed that the present textile arrangement was a major deviation from the GATT rules and could not continue indefinitely. The textiles sector should be covered by the general liberalization efforts envisaged as a guiding principle of the proposed new round of negotiations.

While he acknowledged that the extension of the Multifibre Arrangement (MFA) may be the most pragmatic interim arrangement, an initial approach to liberalization in the textile trade might be a commitment on the part of the importing countries not to increase the restrictive element in their import policies as applied to this sector in the lifetime of the extended MFA. This would create a propitious setting for more strenuous efforts aimed at ultimately bringing all trade in textiles and clothing under effective GATT rules and disciplines.

The representative of Chile stressed that textiles and clothing must be a priority area in the proposed new round of negotiations with a view to bringing about a substantial liberalization of trade in this particular sector in accordance with the rules and disciplines of the General Agreement. A categorical commitment in this respect from the CONTRACTING PARTIES was essential for the proposed new round of negotiations to be launched. In this context, Chile considered that the MFA should not be extended beyond 1986, and that all protectionist measures introduced since the Ministerial Declaration of 1982 must be eliminated prior to the initiation of the proposed new round of talks. There should be a progressive programme of liberalization which should be automatic and irreversible, aimed at gradually introducing in this sector the standards and disciplines of GATT. During the transition period, minimum and increased participation by new and potential suppliers like Chile should be ensured. Such a programme should be legalized in GATT through a formal exemption under Article XXV:5 of the General Agreement.

The representative of Bangladesh expressed serious concern at the recent unprecedented proliferation of restrictive measures against exports of textiles and clothing items from the developing countries. He regretted that even the small suppliers and least-developed countries with persistent and ever increasing trade deficits had not been spared. In the recent past Bangladesh, which was among the group of least-developed countries, had been subjected to harsh quota restrictions in important markets. These measures were not only inconsistent with GATT, but even against the specific provisions of Article VI and Annex A of the MFA. Any round of negotiations must aim at effective liberalization of trade in textiles and clothing, and must ensure significantly improved access for the exports of the developing countries and in particular, the least-developed among them. The Ministerial Declaration of 1982 had attached great importance to liberalizing trade in textiles and clothing, and in terms of paragraph 7(viii) of the Declaration, the CONTRACTING PARTIES had undertaken to examine ways and means of pursuing measures aimed at liberalizing trade in textiles and clothing, including the eventual application of the General Agreement after the expiry of the existing MFA. The Working Party on Textiles and Clothing had done useful work in this regard, and it was expected that in the forthcoming negotiations on the future of the MFA the possibilities for bringing about the full application of GATT provisions to this sector of trade would be seriously considered. In document L/5818 the developing countries had emphasized that concrete actions must be taken by all concerned to bring about a significant and substantial liberalization in

this sector. The developing countries felt that the protectionist measures introduced since the 1982 Ministerial Declaration should be rolled back forthwith to prepare ground for any meaningful negotiation on the liberalization of trade as a whole. Bangladesh hoped that it would be possible in the very near future to bring trade in textiles and clothing fully under the disciplines of the General Agreement and that the smaller and poorer nations who had started setting up manufacturing capacities in this sector would be able to develop further and intensify their efforts for the substantial transformation of their economics.

The representative of the United Kingdom speaking on behalf of Hong Kong thought that it was inevitable that textiles would feature prominently in any programme designed to address multilateral trade problems because of its significant share in world trade and the fact that it had for so long been subject to special arrangements. He recalled that in 1984, textiles and garments had accounted for nearly 10 per cent of total world exports of manufactured goods and for 23 per cent of all exports from developing countries. In Hong Kong's case, they had made up 40 per cent of domestic exports and that from an externally oriented economy heavily dependent on exporting light to medium manufactures. It was not surprising therefore that Hong Kong regarded textiles as a subject of critical importance. The representative of Hong Kong observed that special arrangements had applied to this sector for nearly a quarter of a century and protection had been institutionalized in a formal derogation from the General Agreement. The original justification of a temporary breathing space to permit necessary adjustments in the domestic markets and industries of importing countries, had become less and less credible with each renewal of these special arrangements. The need for liberalization and return to normality in textiles had long been recognized and this was reflected in the Ministerial Declaration of 1982 in which contracting parties undertook, individually and jointly, to pursue measures aimed at liberalizing trade in textiles and clothing, including the eventual application of the General Agreement. Much work had been done in pursuance of the 1982 mandate in terms of documentation and Working Party meetings, but the results of this work so far had been disappointing and much remained to be done. However, the important thing that had emerged from this work, or rather that had been confirmed by it, was the general recognition that GATT provisions should ultimately apply to international trade in textiles and clothing. This was perhaps a predictable conclusion given that no-one had argued, and quite rightly not, that the MFA or some similar special arrangement, should remain in effect for ever. What now needs to be done was to intensify the work commenced under the 1982 Ministerial Work Programme and to take it to its logical next stage of identifying and agreeing upon the precise steps that would be necessary to bring about full liberalization and return textiles to the application of GATT rules. In the meantime, the Textiles Committee of the GATT had already commenced the process of considering a successor arrangement to replace the current MFA on its expiry at the end of July 1986. Although this could be seen as a separate, self-contained exercise that would continue within its own parameters and with its own terms of reference, it must nevertheless take account of the longer perspective and

wider considerations because of the position that textiles had as a test case for what might happen in other areas. Without a demonstration of willingness to move away from the long-standing institutionalized protection in this most difficult sector, there was little hope for achieving satisfactory negotiating results in other sectors and in the proposed new round as a whole. At the very least, it should be expected that any successor arrangement that might emerge from the process of discussions in the Textiles Committee should embody the commitment to liberalization and ultimate return to the application of GATT rules and should also provide, both in the multilateral instrument and in the subsequent bilateral agreements, for concrete measures towards achieving those aims. Efforts should continue under the Work Programme in parallel with the Textiles Committee in order to identify the precise steps necessary to complete the process of liberalization and return to GATT as this would complement and assist the task of the Textiles Committee. Referring to the position taken by some delegations that certain conditions should be met in connection with the return of textiles to the application of GATT provisions, the representative made it absolutely clear that there was no scope for negotiating selective safeguards in the GATT. The prime purpose of the proposed new round must be to strengthen and reinforce the essential GATT principles and disciplines, not to dilute them or set them aside. That was not to say, however, that there was no scope for negotiating textiles in a new round. For example, textile tariffs could and should be included within any future round of general tariff negotiations. As regards unwinding the special arrangements embodied in the MFA, much would depend on the outcome of the process in the Textiles Committee. The possibility of negotiating further liberalization at that stage in the context of the proposed new round should not be excluded, but no negotiation could be undertaken on the basis of spreading the contagion of selectivity from textiles to infect the whole of the rest of the trading system; selectivity had to be contained within the textiles derogation and ultimately phased out within those bounds.

The representative of Brazil stated that as the meeting was examining the subject matter of the proposed new round of multilateral trade negotiations in light of the GATT Work Programme and priorities as contained in the Ministerial Declaration of 1982, it was appropriate to consider the issue of trade in textiles in the perspective set by Ministers in 1982, namely that of the examination of modalities for trade liberalization including the possibility for bringing about the full application of GATT provisions to this sector of trade. The present régime governing trade in textiles, as embodied in the MFA, ran counter to the basic GATT principles of non-discrimination while promoting the regulation of trade through quantitative restrictions rather than tariffs. The increasingly restrictive implementation of the MFA had further deprived competitive developing exporters of trade opportunities while according indirect preferential treatment to the industries of the developed economies, a situation which could only be described as fundamentally unfair. As if the régime itself were not sufficiently unfair, repeated initiatives had been cropping up in the developed importing countries aimed at enhancing the restrictiveness and discriminatory nature of textiles trade - initiatives which more often than

not were used as threats for the extraction of additional concessions from exporters. Such trends could not be allowed to persist if the goals of trade liberalization invoked by the proponents of the proposed new round of negotiations were to be given any credibility. The justification for a separate set of rules governing trade in textiles and clothing on the basis of a need for temporary relief to allow for adjustment to the impact of exports from developing countries could not be seriously espoused after decades of managed trade. The moment had thus come for a phasing-out of the discriminatory quantitative restrictions presently made legal through the MFA, due to expire in less than a year. The main question which should retain the attention of contracting parties in this connection concerned the amount of time to be allowed for such a phase-out. Brazil's approach to this question would be the sooner the better. The standstill and rollback commitments to which contracting parties had repeatedly referred in their interventions could not attain their objective of restoring the appropriate confidence for the proposed new trade negotiations in GATT if an entire sector of trade of vital importance to LDCs were not an integral part of it. It was necessary to recognize that a standstill in the textile area would not of itself eliminate the discriminatory character of the present régime. A rollback, or phase-out, must therefore be envisaged within a short prescribed time-frame, parallel to which GATT disciplines would be undergoing a process of reinforcement, so as to ensure the full return of the textiles régime to an unambiguously improved GATT, particularly with respect to disciplines for emergency measures on imports of particular products. Referring to arguments that the full application of GATT provisions to textiles was contingent upon the conclusion of an understanding on safeguards, the representative of Brazil stated that while he could see the relation between the two, there were certain aspects of this relation which required focussing upon. There could be no doubt that the full application of GATT provisions to textiles was being advocated by the exporting countries first and foremost in terms of a return to a régime based on the most-favoured-nation principle. Furthermore, whatever arrangement on safeguards may come to be agreed upon by contracting parties, it should be clear from the outset that textile exports could not under any serious and acceptable criteria, be convincingly blamed for causing serious injury to industries in developed importing countries which had benefited from decades of artificial protection. If adjustment had not taken place it is not up to the exporters to bear this burden, particularly when such exporters were weaker and less developed. As stated by Brazil in the Working Party on Textiles and Clothing, established in pursuance to the 1982 Work Programme, it was impossible to argue that once the MFA expired, after some twenty years of institutionalized special restrictions, lines of production were still being injured by unforeseen rises in imports. A return to GATT could not therefore be seen as an automatic return to emergency import relief, but as a return to non-discrimination and to trade regulated through tariffs. The representative of Brazil regretted that the deliberations in the Working Party on Textiles and Clothing had not led to the realization of the objectives set by Ministers. Not only had there been no clear expression on the part of the major importing countries of a commitment to liberalize through a return to GATT rules, but it had been argued that the elimination of discriminatory quotas should be negotiated through contributions to be given by those who were being discriminated

against. These were clearly unacceptable terms for the phasing-out of what were fundamentally unfair trade restrictions. The immediate responsibility for liberalization rested, obviously, in the hands of those who had been benefiting from such unfairness.

The representative of Barbados stated that his country placed great importance to the liberalization of trade in this sector and believed that it should be brought back as fast as possible to the disciplines of GATT. The sector of textiles and clothing reflected a great need for structural adjustment, but the developed importing countries had prevented structural adjustment because of certain economic implications this had for them. Barbados' total trade, let alone its trade in textiles and clothing was negligible in terms of the totality of world trade. However, the sector was very important to Barbados in terms of its trade interests and also in terms of its foreign exchange earnings. Trade in this sector was carried out under the perennial threat of quotas or other export restraint arrangements. The time had come to look carefully at this sector and seek to bring it under the multilateral disciplines of GATT with a view to eliminating the threat that is posed to the multilateral trading system. Efforts to liberalize trade would be meaningless if they did not include an important sector like textiles and clothing. Barbados believed that if the proposed new round of multilateral negotiations was to be effective, the liberalization of trade in textiles and clothing had to be the centre-piece of the negotiations. The representative noted that there had been some degree of silence on the part of the developed contracting parties. He considered that with the MFA due to expire in less than a year and with preparations underway for the proposed new round, the time had come to seek to bring trade in this sector effectively under GATT disciplines. He considered this to be a challenge to those contracting parties who were constantly warning against the threats and dangers facing the multilateral trading system.

The representative of the Philippines recalled that the Working Party on Textiles and Clothing had recently adopted its report in pursuance of its mandate to examine modalities of further trade liberalization in textiles and clothing, including possibilities for bringing about the full application of GATT provisions to this sector. He noted that the Working Party had identified three main options in this regard. While the Working Party had not developed any common view on the modalities or techniques to achieve further trade liberalization, it had focused attention on the elements and considerations involved in each of the options, the implications of which were under careful examination by the Philippines authorities. This examination included the work launched in July by the Textiles Committee on the future of the Multifibre Arrangement. The Philippines' view on this matter had been put forward at the Textiles Committee on that occasion, i.e. a return to the original precepts and disciplines of the MFA. In this context, the Philippines was fully prepared to engage in common efforts to ensure that the extension of the MFA would fulfil its stated objectives, particularly of genuine trade liberalization and trade expansion. The representative recalled, in this regard, that a view had been expressed in the Working Party that one of the options

identified was a means by which an automatic and irreversible process of phasing out restrictions would be possible. He reiterated his authorities' concern, registered also at the Textiles Committee in July, that certain initiatives of a protectionist nature in importing countries in respect of textiles would have permanent and devastating effects on the economies of developing countries like the Philippines. While the efforts to resist such initiatives on textiles were encouraging, it had to be recognized that the danger is far from over. The representative urged that continued efforts be made to ensure that such legislation was eventually rejected.

The representative of the European Communities observed that the arguments and slogans being presented were well known and had been in evidence for decades. He felt that it was perhaps for this reason that there had been little or no forward movement. He felt that there was a distinct lack of clarity in certain areas. For example, was the concept of a return to GATT rules aimed only at one way trade or at two way trade? It was not clear as to how the principles of Part IV and the Enabling Clause were relevant to trade in textiles, a sector in which the developing countries had, according to their own declarations, a clear competitive advantage. The concept of discrimination had also to be clearly defined; could an importing country restrict imports only from countries which themselves restricted imports or should it also restrict those from countries who did not restrict imports? The European Communities considered textiles and clothing to be a critical item in the Work Programme of the Ministerial Decision of 1982. The Working Group set up in pursuance of the Ministerial Decision had prepared its report and no further progress was possible for the time being except in the context of a negotiation aimed at follow-up action towards the objectives of the Ministerial Decision. The representative of the Communities stated that the MFA or its renewal was not so much the issue involved as the goal of ultimate full liberalization of trade in this sector, envisaged by the Ministerial Decision of 1982. The MFA should be viewed as a transitional device aimed at achieving that realistic medium- or long-term objective. The representative noted the structure of trade in textiles had changed since the days of the Long-Term Arrangement concluded in the 1960's. A number of developing countries had made use of the MFA to develop their export trade. The MFA had permitted the emergence of new producers and exporters of textiles and clothing and provided security of trading conditions for others by guaranteeing access to markets. The position of China, a major producer and exporter of textiles and clothing now in the MFA, had also to be kept in mind. Reverting to what he viewed as being the ultimate objective of full liberalization of the trade of all contracting parties, exporters and importers of textiles and clothing, the representative felt that all contracting parties should contribute towards that goal, collectively and individually, and in accordance with their individual capacities. This would require a general commitment to the process of collective liberalization under the aegis of the General Agreement, and in line with its overall objectives rather than its provisions. Whether such a goal was attainable or not could only become clear in the context of a negotiation.

The representative of Uruguay stressed the importance of the textiles and clothing sector for his country's economy. Twenty per cent of the exports of Uruguay comprised products that could be defined as textiles goods in accordance with Article 11 of the MFA. The special arrangements governing international trade in this sector were a derogation from the General Agreement and had made it possible for the importing countries to impose quantitative restrictions of a discriminatory nature against exporting countries. In practice, this had meant that the system had been used exclusively for the purpose of limiting imports from developing countries. This had been confirmed by the report of the Textiles Surveillance Body, published in 1984. In the case of Uruguay, the existence of such a system had meant that approximately 50 per cent of textiles exports to one specific market were limited by quantitative restrictions. On the eve of the proposed new round whose objective was seeing whether we want to launch a new round of multilateral negotiations, to achieve a further liberalization of international trade, it was imperative that the discriminatory treatment accorded to trade in this sector should be eliminated. When contracting parties were discussing the strengthening of GATT and considering the application of GATT principles to high-technology goods, it was unacceptable that basic goods such as textiles should remain under the burden of discriminatory arrangements of the past. Uruguay had taken part in the work of the Working Party on Textiles and Clothing which had considered liberalization of trade in this sector.. Although the Working Party did not arrive at an agreed conclusion, it pointed out that there was a clear need for further work especially in view of the objectives of the General Agreement and the Ministerial Declaration of 1982. The representative recalled that the Textiles Committee, in conformity with its mandate, had already embarked upon discussions on future arrangements for international trade in textiles and clothing and reiterated his support for the positions set out by the exporting countries in this respect. The objective clearly was the liberalization of international trade in the field of textiles and clothing and the full application of the disciplines of the General Agreement to this sector. Consequently, the continuation of the work of the Working Group on Textiles and Clothing and the results of the work of the Textiles Committee would be of fundamental importance. Uruguay believed that there cannot be contradiction between the objectives of the proposed new round of negotiations and the ongoing work of the Textiles Committee.

The representative of Yugoslavia recalled that following the Ministerial Meeting of 1982, the situation pertaining to international trade in textiles had been often considered in various GATT bodies. The discussions had shown that over the last three years there had been a further escalation of restrictions in the textiles sector leading not only to an increasing disregard of GATT rules and principles, but also to the non-observance of the MFA and its Protocol of its extension. A basic objective of the MFA, the progressive liberalization of world trade in textile products, had been neglected on the pretence of avoiding disruptive effects in the individual markets of the importing countries. This was possible mainly because of the difference in the negotiating strengths of the importing and exporting countries. The economies of the developing

countries, in which textile industry often played a key rôle, had been severely affected as a result. The special regulations applied to trade in textiles and clothing by the MFA, initially envisaged as temporary and necessary to assist structural adjustment to changes in the pattern of world trade in textile products, had become a major and long lasting derogation from the General Agreement. Although discriminatory quantitative restrictions on textile and clothing exports from developing countries has been in force long enough to create conditions for adjustment in the developed importing countries, it had not so far been possible to agree on integral application of GATT rules and principles to this sector, which would be a significant contribution to trade liberalization in this area, as well as to the strengthening of the GATT trading system. Although the MFA had been negotiated within the GATT, its discriminatory nature made it similar to the so-called grey area measures. Yugoslavia therefore considered that the solutions to problems in this sector should be sought inter alia by ensuring that the commitments on standstill and rollback covered measures applied to textiles and clothing. These commitments should be agreed upon before the launching of the proposed negotiations and before reaching an understanding in the Textiles Committee on future arrangements for international trade in textiles and clothing. The representative also stated that solutions eventually negotiated within the Textiles Committee should not depart from the global objectives of the proposed new round such as the preservation and strengthening of the GATT system. In accordance with this objective, the future regulation of trade in textiles and clothing should also be seen in the broader context of the need to conclude, on a priority basis, a comprehensive understanding on safeguards based on GATT principles, including the most-favoured-nation principle. The initial step should be firm individual undertakings of the contracting parties to a standstill of measures inconsistent with the General Agreement before the establishment of the Preparatory Committee. It should also be understood that future trade measures in the textile sector should be applied only under relevant GATT articles, such as Article VI, Article XIX or the provisions governing trade measures for balance-of-payments and development purposes. As regards existing restrictive measures applied under the MFA, an agreement should be reached on the modalities for their elimination within a short time-frame. The full application of GATT disciplines to international trade in textiles would create the basis for negotiations for further liberalization of trade in this sector.

The representative of Hungary, as a restricted exporter of textile and clothing products, considered that the MFA had institutionalized protectionism and discrimination. The MFA was ample proof of all the disadvantages of managed trade and, as such, it had contributed significantly to the erosion of the GATT system. In this context, the final aim should be to return trade in textiles to the basic norms and disciplines of the GATT. For obvious legal and equity considerations no counterpart should be asked for this purpose. Hungary believed that in the transitional period every opportunity should be used, either within the framework of the proposed new round and/or in the context of the renewal of the MFA, to reach agreement on urgent action needed for meaningful and substantial liberalization in this sector.

The representative of India recalled that he had had occasion to refer to the problems in this sector in the context of the discussions on quantitative restrictions and non-tariff measures. The question of trade in textiles and clothing had to be seen not only in the perspective of quantitative restrictions and non-tariff measures as a whole but in the broader context of trade liberalization. He recalled that there had been complete unanimity on the objective of liberalization and stated that if contracting parties were sincere in the realization of this objective, it was clear that it had to be applied across all sectors and areas. However, this did not imply that the process of ongoing discussions on the MFA, which had its own parameters, should be brought within the negotiations in the proposed new round. The discussions in the Textiles Committee and in the Working Party, established in pursuance of the Ministerial Decision, were aimed at returning trade in textiles and clothing to normal GATT rules and dismantling existing barriers. The Indian representative recalled that no compensation was given to countries against whom restrictions were imposed. There could be no question, therefore, of asking for compensation or counterpayment for dismantling of these barriers; the process of liberalization had to be a unilateral one. The historical importance of the textile sectors to the industrialization process in the developing countries had also to be kept in mind. Under the circumstances it was essential to ensure that the basic principles of GATT such as non-discrimination were made to apply to trade in this sector as a first requisite of any general exercise aimed at trade liberalization. The representative of India observed that the principle of special and differential treatment for developing countries, well accepted in GATT, had been reversed in the area of textile trade, and urged contracting parties to ensure that this situation was remedied urgently and promptly. As stated in L/5818, the international community should accept that the first step of meaningful negotiations in international trade in textiles and clothing had to be a categorical and unconditional commitment to bring the full application of GATT rules to trade in textiles and clothing.

The representative of Sri Lanka stated that textiles were an important and expanding sector in the Sri Lankan economy. As brought out in the last Report (1984) of the Textiles Surveillance Body, there had been an intensification of restrictions during the life time of MFA III. Little or no headway had been made in the stated objectives of the MFA in achieving a reduction of barriers and a progressive liberalization of trade in this sector. Though the Working Party on Textiles and Clothing, established pursuant to the Ministerial Declaration of 1982, had examined various modalities of liberalization, it had failed to agree on any common view or conclusions. Sri Lanka saw a need in the proposed new round of negotiations to move towards a significant and substantial liberalization in this sector. Such liberalization must begin with a standstill and rollback of measures taken unilaterally since the Ministerial Declaration of 1982. Such actions should be autonomous as many of these actions were taken outside the MFA and in violation of both bilateral and multilateral obligations assumed under the MFA and GATT. The use of national legislation to harass and restrict the trade of developing countries through countervailing duty actions should cease and all actions taken since the Ministerial Declaration of 1982 should

be withdrawn. Such procedures should under no circumstances be instituted in the area of textiles and clothing which was already subject to restraints under the MFA. Such actions were also in conflict with the provisions of the MFA and the Protocol of Extension and the commitments on standstill and rollback in the Ministerial Declaration. The present discrimination practised exclusively against the developing countries in this sector should be eliminated. The basis for this discrimination was the alleged position of developing countries as low cost suppliers. While the notion of low cost suppliers had no basis in economic theory there was, at the empirical level, evidence to show that there were now many products for which developing countries were no longer low cost suppliers when compared with some developed countries. Far from the differential and more favourable treatment to be accorded to them, developing countries were at present not even being extended most-favoured-nation treatment. Sri Lanka, as a small supplier and new entrant, would urge that small suppliers, new entrants, cotton producers and least developed countries be accorded special treatment in any process of liberalization during the negotiations. This principle had been accepted in the Seoul Communiqué adopted by Developing Countries Exporters of Clothing and Textiles at their meeting in September 1985. Though the rights of this group of countries were recognized in the MFA and the Protocol of Extension of 1981, they had been observed more in the breach. With the intensification of restrictions during MFA III through the extension of country and product coverage, such restrictions had fallen more heavily on the small suppliers and new entrants and even least developed countries had not been spared. The rights of these countries to special treatment must therefore also be strengthened in the negotiations to provide for their effective implementation. As important as the need for liberalization was the question of the modalities for the negotiations in this sector. Negotiations in textiles which were within a time-frame of their own must be conducted independently and separately from negotiations on any other products or areas. Furthermore, there should be no false linkages of any kind. The MFA was set up as a derogation of the GATT and did not involve any compensatory adjustments at that time in favour of the developing countries. By the same token, the dismantling of restrictions under the MFA and the significant and substantial liberalization to be carried out must fully rest on the developed countries.

The representative of Korea stated that the fact that the comparative advantage of developing countries was most clearly evident in the textile and clothing sector was most likely the reason for the creation of the MFA. Moreover, the history of the successive arrangements was one of increasing restrictions. This had resulted in the shrinking of the trade of developing countries in other sectors as well. The objective was a return to GATT which meant no further restrictions either quantitative or through other means such as trigger mechanisms and orderly market arrangements. There should also be a full application of the most-favoured-nation principle to ensure that discrimination and the other injustices inherent in the MFA were eliminated. The process of liberalization should advance at reasonable speed. Korea had undertaken its own liberalization measures in this sector on a unilateral basis.

The representative of Canada observed that the importance of textiles and clothing to the economies of a large number of contracting parties had been well established. In keeping with the Ministerial Decision, the Working Party on Textiles and Clothing had done useful work in examining options for the liberalization of trade in this sector. The need for further work in the elaboration of these options had been recognized in the Working Party and would be considered at the meeting of the CONTRACTING PARTIES in November. Canada was also actively participating in the discussions which began in July to address the régime to apply to textiles and clothing following the expiry of MFA III in July 1986. Canada attached importance to the continuation of this work. It welcomed the process of informal discussions which had been initiated with a view to working out a resolution of this question. An expeditious approach to these issues was important to provide the necessary climate for the industry to plan so as to further the orderly development of trade in this sector. At the same time, Canada would be prepared in the new round of trade negotiations to join with others in an examination of possible coordinated actions aimed at limiting special measures of protection existing in such sectors as these facing particular international competitive difficulties.

The representative of Peru recalled that the Ministerial Declaration of 1982 had given a mandate to the CONTRACTING PARTIES to carry out on a priority basis a review of the importance of textiles and clothing and world trade and in particular for the future trade of developing countries. The importance of textiles and clothing for developing countries could not be denied. In Peru, this was the main sector of non-traditional exports. Peru was particularly interested in the goal of substantive liberalization in the field of textiles and clothing. In this context he noted that none of the objectives of the MFA - the development of international trade in textiles, a reduction of obstacles and barriers to that trade, a progressive liberalization of world trade in textiles and textile products - had been realized in the life time of the MFA and its various protocols of extension. On the contrary, barriers facing developing countries' trade had progressively increased leading even to the closure of some markets, and new protectionist measures had been taken, not foreseen in the MFA. The restrictions had been applied exclusively to the products from developing countries and this discrimination had continued for over a quarter of a century. The developing countries have been severely affected and as such it could not be argued that the MFA had provided them guaranteed access to markets. On the other hand, it had been favourable to the importing countries in allowing them to maintain uneconomic industries while distorting international competition. The existence of the MFA should not serve as a pretext to defer the necessary structural adjustment in this sector as had been foreseen in Article 1.4 of the MFA. The representative stated that the dismantling of the restrictions under the MFA would have to be a unilateral process without any counterpart or concessions from the developing importing countries who had been victims of an inequitable régime set up on a temporary basis under a derogation from the General Agreement. He stated that all protectionist measures introduced after the Ministerial Declaration of 1982 should be eliminated immediately. Trade of textiles and clothing should return to the disciplines of the General Agreement even if it was necessary for a gradual period of transition which should be automatic and irreversible.

The representative of the United States stated that the subject of textiles and clothing was a delicate one for his country. He referred to ongoing legislative action in the United States on the so-called Jenkins Bill which his authorities and the governments of other countries were watching with anxiety. He stated that the United States Government had attempted to stop that Bill and the President had clearly indicated his intention to veto it if necessary. He considered this an act of courage given the present climate in Washington. Referring to the claim that developing countries had undeniable comparative advantage in this sector, he stated that there was a strong political opinion in his country that believed that the US textile industry was the most competitive in the world if only others would compete fairly. He asked why there were continuing problems with regard to countervailing duty laws and subsidies which had an impact on trade if developing countries had that undeniable comparative advantage. Restrictions in the area of textiles had been in existence for some time, and contracting parties should look for positive solutions rather than spend time on framing legal arguments. The representative suggested that while contracting parties had started the process of examination, there was scope for further work. The United States would be prepared to consider the matter in the future in the context of the decision that the CONTRACTING PARTIES took in their forthcoming session.

The delegation of Romania regarded trade in textiles and clothing to be of very special importance for international trade, and especially for the participation of developing countries. The textile sector was also of major importance for the international trading system, the fundamental basis of which was ensured by the principles and rules embodied in the General Agreement. He shared in great part the opinions and arguments presented on this subject by representatives of the other developing countries and stressed that trade in clothing and textiles should be included among the subjects to be discussed in the proposed new round of negotiations even if for a certain period of time the textile sector had to remain the subject of negotiations being carried out in specific GATT bodies such as the Textiles Committee and the Working Party set up in pursuance of the Ministerial Declaration of 1982.

The representative of Indonesia, speaking on behalf of ASEAN, stated that the countries concerned regarded textiles as a subject matter of the utmost importance to them. The Ministerial Declaration of 1982 decided to examine expeditiously modalities for further trade liberalization in textiles and clothing, including the possibilities for bringing about the full application of GATT provisions in this sector of trade. There was, therefore, a logic to inserting textiles as an agenda item in the proposed new round, without even referring to other valid arguments. The time-frame of events would have to be taken into consideration. At the forthcoming session of the CONTRACTING PARTIES in November a decision would be taken on the establishment of a Preparatory Committee to prepare the basis of the proposed new round. The Session might or might not approve the Report of the Group of Senior Officials and might set up, or postpone setting up, the Preparatory Committee. The negotiations on the extension or non-extension of the MFA would also commence by December 1985. These negotiations should

also be based on the Ministerial Declaration, and would be influenced by the proposed new round. The textile negotiations had a definite time-frame; they would start early December and they would of necessity be finalized by 31 July 1986. If there is a successor agreement to MFA III, textiles should still be on the agenda of the proposed new round, but discussions should then focus on longer term aims including the dismantling process of MFA IV and its time-frame. If there was no successor agreement to MFA III the proposed new round might very well develop into negotiations in accordance with relevant GATT Articles, in which the so-called grey area measures could also be addressed. Referring to the so-called Jenkins Bill, the representative recalled that the ASEAN Ministers had addressed the issue of rising protectionism in international trade especially in the United States with particular reference to the Bill at a special meeting of the ASEAN Economic Ministers in October 1985 and reiterated ASEAN's strong opposition to the Bill which was discriminatory and contrary to existing international law and US Bilateral Agreements. At the same time, the Ministers had welcomed with great appreciation the explicit and firm stand of the US Administration in opposing the Bill. The Ministers had further pointed out that the Bill, in adversely affecting the ASEAN economies' ability to export, would provide them with no alternative but to curtail trade in order to maintain external balance. Moreover, ASEAN's export-led economies would be considerably damaged and destabilized. Accordingly, each ASEAN country would have to consider adopting measures to counter the damaging effect of the Bill.

The representative of the European Communities stated that the subject of textiles and clothing was a very important one for the Communities which was why he had chosen to take the floor again. The Community and its Member States considered that the Ministerial Declaration of 1982, which concerned the future of trade in textiles and clothing, had to be viewed separately from the ongoing work pertaining to the renewal of the MFA. The Community and its Member States had great ambitions and hopes in respect to the long-term future of international trade in this sector. They hoped for complete liberalization, beyond the provisions of the General Agreement, but in accordance with its objectives. The aim was to create a healthy environment to enable a fresh start to be made on a realistic basis. If contracting parties were to renew the MFA for a new period of time before achieving the long-term objective, such a renewal could only be a transitional measure and not the permanent solution that was the ultimate goal. If there were to be negotiations, the Community would not be seeking full reciprocity. The aim of the negotiation should be to make it possible for each contracting party to commit itself to achieving the ultimate objective, collectively and individually. If there was agreement on this approach, contracting parties should then define the stages that would be necessary in order to reach the final agreed objective; all without exception would have to contribute to this end taking account of their particular stage of development and other special needs. While the Community had no objections to Part IV, it was clear that Part IV could not be applied in the same manner to all exporting countries. Part IV had to be applied intelligently especially for the benefit for the least developed

countries. The representative emphasized that a new approach was needed for solving the problems of this sector and that, in this context, it was important to look to the ultimate objective of full and complete liberalization of trade, both for imports and exports with all trading partners making contributions commensurate with their individual stage of development.

The representative of Pakistan stated that the subject of textiles always recalled old worries and concerns, voiced by the developing countries over several decades to little or no effect. It was important to keep this historical perspective in view. He stated that all the issues that had been raised in the context of the proposed new round - the problem of rule of law, the danger to the most-favoured-nation principle, the drift to bilateralism, the proliferation of grey area measures, the problem of integration of developing countries into GATT, the special and differential treatment for developing countries - had existed in the area of textiles trade for a long period. Trade in this sector was basically a microcosm of all the problems which could be seen on a magnified scale as troubling the GATT system as a whole. The representative believed that the Ministerial Decision of 1982 did not go far enough, thereby necessitating the establishment of the Working Party on Textiles and Clothing which went into some of the technical aspects of problems relating to the full application of the GATT to the textiles sector. Significantly, the discussions revealed that members tended to present the GATT as a sort of scarecrow rather than as an instrument of liberalization. The critical moment for addressing the problems of textiles exporting countries had arrived. Mere recognition that this sector had an important rôle in the development of these countries was not enough. The representative of Pakistan expressed disappointment that submissions on this subject were few, particularly from the developed countries, and that even the ones that had been made did not go as far as could be expected. He hope the developed countries would recognize the seriousness of the problem facing the GATT system. It had also to be recognized that textiles would have to be uppermost in any agenda for the proposed new round. The group of 24 developing countries had made three proposals contained in L/5818, which were modest, realistic and sincere, namely that there should be a categorical and unconditional commitment by the importing countries to the full application of the rules and principles of GATT; actions must be directed to significant and substantial liberalization in this sector and all protectionist measures introduced since the Ministerial Meeting of 1982 should be rolled back forthwith. These should be endorsed by the CONTRACTING PARTIES as a prerequisite to any forward movement on the proposed new round. There was an ongoing separate process in this area but it was necessary to develop positive and mutually reinforcing linkages between these two processes. The short-term, the medium-term and the long-term problems of textiles could easily be separated one from the other and dealt with accordingly. It was essential to summon political courage and acknowledge that the textile exporting developing countries had faced all the difficulties which the major contracting parties were now seeing in the GATT system. The representative of Pakistan recalled the cooperation extended by the developing countries on past occasions such as in the previous rounds of negotiations, in helping to initiate the Tokyo Round even to the exclusion of textiles, in accepting in good faith the infamous reasonable departures clause to enable conclusion of the Tokyo

Round. He wondered why demands were continually being made on the developing countries for further concessions. It should be realized that it was the developed countries who imposed the present system on the developing countries and they had, therefore, to recognize their historical responsibility for removing it. Political pressures existed in all countries including the developing countries whose disappointment had led to the danger of a deeper disenchantment with the GATT and the benefits it could provide for them in areas of their vital concern such as textiles and agriculture.

The representative of Japan said his country was fully aware of the importance of the textiles and clothing sectors to the developing countries. Japan is a major exporting country and therefore was concerned about the trend of protectionism. Japan did not find the present régime a satisfactory one. In view of the fact that MFA III would expire at the end of July next year, Japan believed that textiles and clothing should be discussed in the new round of negotiations with the aim of bringing about a medium and long-term liberalization of trade in textiles. In the meantime, a renewal of the MFA with modifications providing for substantial liberalization would be desirable and could represent a realistic compromise.

The representative of Egypt recalled that textiles had been subject to derogation from the GATT for more than two decades and thought that the time had come for this derogation to end so that textile trade could return to the disciplines of the General Agreement. In this respect, he referred to the commitment taken by developed contracting parties in paragraph 7(viii) of the Ministerial Declaration of 1982. He interpreted the obligation to mean that the application of the General Agreement to this sector would be necessary after the expiry of the 1981 Protocol of Extension, i.e. after July 1986. In the context of the proposed new round of negotiations textiles should be one of the main subjects for discussion. There was a close link between textiles and various other subjects that developing countries had raised in regard to the objectives and modalities of the proposed negotiations such as, safeguards, standstill and rollback, tariffs and special and differential treatment for developing countries. Egypt fully subscribed to the proposals set out in L/5818 for the specific purpose of dealing with the specific issues in this sector.

The representative of the United States, commenting on the observations made by the representative of Pakistan, clarified that his purpose was not to make demands on the developing countries but to describe the difficult domestic situation prevailing in the United States as a result of protectionist pressures. He states that if there was no progress in the broader area of the new round of negotiations, public opinion in his country was more likely to question the need, desirability or even possibility of progress in the specific area of textiles and clothing. In this context, he felt that all areas of concern to contracting parties should proceed together.

The representative of Nicaragua stated that the problems facing international trade in textiles were serious and had been clearly identified by many representatives of developing countries. He expressed full support for the proposals set out in L/5818.