

**IMPLEMENTATION OF THE AGREEMENT ON TEXTILES AND
CLOTHING AND RELATED MATTERS**

The following communication, dated 24 July 1996, has been received from the European Communities.

GENERAL DISCUSSION OF TEXTILES ISSUES

1. Introduction

The Council for Trade in Goods (CTG) should certainly feel able to discuss any textiles issue it wishes. However, given the very great importance of the Textiles Monitoring Body (TMB) as a WTO institution, the CTG should be careful not to interfere with its functioning. Since the TMB has the primary responsibility, under Article 8(1) of the Agreement on Textiles and Clothing (ATC), for monitoring the implementation of the ATC, and since it is doing its own report for the Singapore Ministerial to be incorporated into that of the CTG, the CTG should not discuss at this stage the issues which the TMB will address. In any event, in accordance with Article 8(11) of the ATC, the TMB has to transmit to the CTG "a comprehensive report on the implementation of the ATC" before the end of the first transition stage next year - so opportunities for the CTG to discuss textiles issues at various stages are already foreseen by the ATC and therefore the current exercise is additional to that.

This notwithstanding, some of the issues raised by Pakistan could be discussed now within the CTG, while others should only be discussed after the CTG has received the TMB's report for Singapore. In addition, the European Community proposes two other issues for the present CTG discussion, namely, (a) market access, and (b) rules and disciplines.

2. Issues proposed by the European Community

2.1. Market Access

Given the great importance attached to the opening of the textiles markets of all WTO Members, the CTG should examine the extent to which all commitments entered into during the market access negotiations of the Uruguay Round, have been complied with. Attention should also be paid to any instances where *de facto* market access has been reduced through the raising of applied tariff rates to the bound level. If necessary, the CTG should request any relevant information from the Market Access Committee.

2.2 Rules and disciplines

The CTG should examine the extent to which WTO Members have complied with any GATT 1994 rules and disciplines having an impact on trade in the textiles sector and have adopted effective measures to prevent circumvention and other fraudulent trading practices. If necessary, the CTG should request relevant information from any other relevant WTO body such as those dealing with anti-dumping, balance of payments, subsidies and/or the protection of intellectual property.

3. Issues proposed by Pakistan which could be discussed by the CTG now

Some of the issues proposed by Pakistan could indeed be discussed at this stage in the CTG because they would not be appropriate topics for the TMB to discuss in its report.

3.1 Integration - Stage 2 (17%)

In accordance with the provisions of Article 2.8 of the ATC, the choice of products to be integrated at each intermediary stage is left freely to each WTO Member. This choice can, with perfect legitimacy, result in products being integrated which are not subject to any quantitative restriction. Under the provisions of Article 2.14 of the ATC, products which remain under restriction will benefit from increased growth rates; this will contribute to continuous adjustments and increased competition on the markets of importing Members.

3.2 Functioning of the TMB

The CTG should recognise the role and responsibilities of the TMB as established by the ATC and should further recognise that the TMB has done its job under difficult circumstances.

3.3 Regionalism

The CTG should recognise that regionalism can beneficially influence trade in overall terms through its impact on both quantitative restrictions and tariff rates. If necessary, the CTG should request any relevant information from the Committee on Regional Trade Arrangements under Article XXIV.

3.4 Use of Trade Measures for Non-Trade Purposes

The CTG should examine the extent, if any, of the use of trade measures for non-trade purposes which occurs outside a legal framework. If necessary, the CTG should request any relevant information from other bodies.

4. Other issues raised by Pakistan which should be discussed by the CTG later

A number of the issues raised by Pakistan should be discussed by the CTG later on, after the Council has had the benefit of the TMB report on ATC implementation which will address them. The ATC clearly gives primary competence to the TMB to "supervise the implementation of this Agreement", and it would be an usurpation of that competence if the CTG itself conducted such a review of ATC implementation in advance of the TMB having completed its own report.

The issues falling into this category are as follows: Integration Stage 1 (16%), use of the safeguard (Article 6), bilaterally agreed arrangements, the treatment of least developed countries and small suppliers, the particular interest of cotton-producing countries, rules of origin and other ATC issues (OPT, special regimes, etc.).

5. Conclusion

While the CTG should address all of these issues at some point in time, it should not discuss certain issues prematurely because this would be to usurp the competence of the TMB in clear contradiction of the ATC which gives the primary competence to the TMB for the monitoring of ATC implementation.

Given that the TMB report is expected in early October there will be ample time for the CTG to discuss its contents at that stage. Indeed, special CTG meetings solely to discuss textiles issues would be far more useful then rather than now.