

Council for Trade in Goods

**THE MAJOR REVIEW OF THE IMPLEMENTATION OF THE AGREEMENT
ON TEXTILES AND CLOTHING IN THE THIRD STAGE
OF THE INTEGRATION PROCESS**

INTRODUCTION

1. In carrying out its mandate to oversee the implementation of the Agreement on Textiles and Clothing (ATC), the Council for Trade in Goods is required, by Article 8.11, to conduct a major review before the end of each stage of the integration process. The third stage, which began on 1 January 2002, ends on 31 December 2004, hence, the need to conduct the third major review before the end of 2004.

2. Article 8.11 of the ATC requires that, at least five months before the end of each stage, the Textiles Monitoring Body (TMB) shall provide a comprehensive report on the implementation of the Agreement during the stage under review. The review was, therefore, assisted by the "Comprehensive Report of the Textiles Monitoring Body to the Council for Trade in Goods on the Implementation of the Agreement on Textiles and Clothing during the Third Stage of the Integration Process", contained in document G/L/683, dated 30 July 2004. A "Background Statistical Information with respect to Trade in Textiles and Clothing", prepared by the WTO Secretariat at the request of the TMB, was circulated in document G/L/692, dated 20 September 2004. Furthermore, a communication contained in document G/C/W/495, was circulated on 29 September 2004 at the request of India, on behalf of 21 members of the International Textiles and Clothing Bureau (ITCB), which are also WTO Members or Observers (henceforth ITCB Members). This report should be read in conjunction with these documents.

3. At the start of the review process on 1 October, Members provided overall initial comments following the introduction of the Report by the TMB Chairman. Thereafter, as agreed, the Council met in dedicated sessions on 25 October and 11 November 2004. The minutes of these meetings will be issued in documents: G/C/M/75, G/C/M/76 AND G/C/M/77. Informal consultations have also been held on aspects of the review.¹

4. At the CTG meeting on 1 October 2004, the Chairman of the TMB introduced the Body's Report. He provided updated information on developments that had occurred since the Comprehensive Report had been adopted. He underlined that the report placed particular emphasis on matters with regard to the integration process, the application of the transitional safeguard mechanism, and relating to the application of GATT 1994 rules and disciplines, as defined in Articles 2, 3, 6 and 7, respectively. In compliance with the mandate conferred on the TMB, the report did not deal with possible issues or aspects which would fall outside the framework of ATC implementation during the period under review, or would go beyond the duration of the implementation of the ATC. The Council noted the substantial information contained in that Report and considered that it would make a useful contribution to the review.

¹ 25 October, 8 and 18 November and 6 December 2004.

GENERAL STATEMENTS

5. The representative of India introduced document G/C/W/495 on behalf of all its co-sponsors. In doing so, he stressed several points. He said that agriculture and trade in textiles and clothing had long remained outside of the mainstream of WTO rules and principles. The completion of the process of integration of textiles and clothing into the normal rules and disciplines of GATT 1994 would be of great systemic value to the strengthening of the multilateral trading system and a step in fulfilling the promise of the Uruguay Round. The representative of India also stressed that the final major review of ATC implementation was significant in more than one way. It was critical to ensuring that all requirements of the Agreement would have been fully and faithfully met and it was important in terms of the lessons to draw from the process. He noted that in successive Ministerial Conferences, Ministers emphasised the need to ensure full and faithful implementation of WTO Agreements. Thus, at the very first WTO Ministerial meeting in Singapore, Ministers had confirmed their commitment to such implementation specifically with respect to the "provisions of the ATC". He, therefore, emphasised the importance of a thorough and purposeful review and expressed the hope that all Members would engage in the review exercise "for a genuine and comprehensive appraisal of the implementation process". This would be the spirit in which the ITCB would approach the review.²

6. With respect to the data circulated by the Secretariat in document G/L/692, ITCB Members noted, firstly, that the coverage for the purposes of these data was SITC Divisions 65 and 84 for textiles and clothing respectively, which was significantly different from the product coverage of the ATC – the implementation of which was the subject of consideration in this major review. Secondly, some data did not include data on intra-EU which was a significant portion of trade in the sector. Therefore, they hoped that in discussing the data, Members would avoid unnecessary confusion.

7. Document G/C/W/495 was presented by ITCB Members to highlight a few pertinent aspects of the implementation process. First, to highlight specific examples of the introduction of new restrictions or intensification of existing restrictions to the detriment of exporting developing Members. Second, to highlight additional issues from ATC implementation in general, including the way the integration programmes had been implemented. In light of the above, he drew attention to the seven recommendations³ in which ITCB Members proposed that the CTG:

- "(i) Take note of the TMB report.
- (ii) Express its regret over the introduction and maintenance of certain measures by EU, Turkey and the United States in disregard of the disciplines of the ATC.
- (iii) Express disappointment over the manner in which the major restraining Members implemented their integration programmes during the integration process, especially (a) by postponing the elimination of the bulk of quota restrictions until the end of the implementation process, and (b) by not giving meaningful effect to ATC provisions with regard to special and differential treatment of small suppliers, least-developed Members and cotton-producing exporting Members.
- (iv) Reaffirm the TMB observation that "the process of integration in the sense of the ATC will only become complete if the administrative requirements that were related to the administration of quota restrictions are also abolished".
- (v) Express disappointment that the restraining Members have not yet responded positively to concerns about potential reduction in market access opportunities due to denial of carry-forward quotas in 2004 and reiterate the TMB's hope that an

² G/C/W/495 paragraphs 1 to 4 and Statement by India, on behalf of the ITCB.

³ G/C/W/495 paragraph 54 and Statement by India on behalf of the ITCB.

appropriate solution will be found and adopted by the General Council in the near future.

- (vi) Recall the Doha Ministerial decision that Members will exercise particular consideration before initiating investigations in the context of anti-dumping remedies on textiles and clothing exports from developing Members previously subject to quantitative restrictions under the ATC for a period of two years following full integration of the textiles and clothing sector into the WTO, establish appropriate procedures to operationalize the decision.
- (vii) Exercise close oversight of the process until full and faithful implementation of the ATC in all its aspects."

8. Restraining Members disagreed with the presentation by ITCB Members. Some Members also provided initial reactions to the submission presented by India on behalf of ITCB Members.

9. Restraining Members noted that they had fully and faithfully complied with ATC provisions and their obligations under the Agreement, including with respect to the integration programme set forth in Article 2. One restraining Member stated that the ten-year phase-out of quota restrictions was designed to give importing Members an opportunity to adjust to unrestrained import competition. The acceleration of quota growth rates under the ATC gave exporting Members progressively greater access to importing Member markets. Although serious doubts had been expressed at the beginning of ATC implementation that this restraining Member would be in a position to completely eliminate all its quota restraints, by the end of the ATC, yet it was now evidently clear that the concerned restraining Member would continue to abide by all its commitments under the ATC. Furthermore, while some exporting Members had expressed concerns that importing Members should have liberalized at a faster pace than required under the ATC, the concerned restraining Member would continue to reject this contention. Its consistent position throughout the course of ATC implementation was that its domestic industry was entitled to the predictable pace of liberalization contained in the ATC. The restraining Member stated that it had its own concerns about ATC implementation. It considered that the degree of market access provided by exporting Members in the sector had not matched their commitments under the ATC. Developing Member markets for textile products remained highly protected. However, despite the dissatisfaction on both sides, with the imminent expiry of the ATC, Members could be proud in what had been accomplished. The phase-out of ATC expiry was one of the major accomplishments of the Uruguay Round. This proved that even in the most difficult issues, a multilateral approach could produce an ambitious result. Regarding the TMB, its job was not an easy one. The interests of exporting and importing Members were both widely divergent and contentious. In some instances, this restraining Member had not agreed with the conclusions of the TMB, but it had always respected the TMB's serious and reasoned approach to the issues before it.

10. These restraining Members stated that the Comprehensive Report of the TMB on the Implementation of the Third Stage of Integration under the ATC revealed the complexity of the task of fulfilling the obligations of the ATC before its expiry. They noted that it was inevitable that there would be different perceptions and interpretations of several questions such as growth-on-growth, carry-forward, etc. These Members, in noting and responding to the statement by the ITCB, stated that whatever the considerations and positions, only three months remained before ATC expiry. It stressed that ATC compliance was not a one-way traffic.

11. Detailed examination in the dedicated sessions of the major review was organized, as agreed by Members, around six indicative topics. These were:

- (i) The ATC integration process:
 - Implementation of the third stage of integration
 - Notifications by recently acceded Members in the integration process
 - Fourth/Final stage of integration
 - Overview of ATC integration
- (ii) New restrictions
- (iii) Carry-Forward
- (iv) Administrative arrangements for quota administration and implementation
- (v) Use of Transitional Safeguard Mechanism
- (vi) Article 7 – Abiding by GATT 1994 rules and disciplines so as to achieve improved market access, ensure the application of policies for fair and equitable trading conditions (AD, CVD, IP), avoid discrimination against textiles in general trade policies.

12. In the course of the dedicated discussions of the six areas identified, delegations specifically referred to and echoed their expressed views, positions taken and facts presented to the TMB, as contained in the TMB Report.

ATC Integration Process

13. The ATC integration process was considered together with its four sub-topics, namely:

- Implementation of the third stage of integration
- Notifications by recently acceded Members in the integration process
- Fourth/Final stage of integration
- Overview of ATC integration

14. ITCB Members recalled the observation in paragraph 47 of the TMB Report that the integration process was the main pillar of ATC implementation; however, contrary to the requirements of the ATC and its preamble, the integration process had not been implemented in a progressive manner. The restraining Members had pursued a deliberate policy of back-loading the process, maintaining the bulk of quota restrictions throughout the ten-year period.

15. ITCB Members recalled that the third stage of integration was immediately preceded by the Doha Ministerial Conference, at which implementation issues and concerns were considered by Ministers. ITCB Members further recalled that the Doha Ministerial Conference had decided that⁴:

⁴ WT/MIN(01)/17, paragraph 4.

"[It] reaffirms the commitment to full and faithful implementation of the Agreement on Textiles and Clothing, and agrees:

- that the provisions of the Agreement relating to the early integration of products and the elimination of quota restrictions should be effectively utilised.
- that Members will exercise particular consideration before initiating investigations in the context of antidumping remedies on textiles and clothing exports from developing Members previously subject to quantitative restrictions under the Agreement for a period of two years following full integration of this Agreement into the WTO.
- that without prejudice to their rights and obligations, Members shall notify any changes in their rules of origin concerning products falling under the coverage of the Agreement to the Committee on Rules of Origin which may decide to examine them.

Requests the Council for Trade in Goods to examine the following proposals:

- that when calculating the quota levels for small suppliers for the remaining years of the Agreement, Members will apply the most favourable methodology available in respect of those Members under the growth-on-growth provisions from the beginning of the implementation period; extend the same treatment to least-developed Members; and, where possible eliminate quota restrictions on imports of such Members;
- that Members will calculate the quota levels for the remaining years of the Agreement with respect to other restrained Members as if implementation of the growth-on-growth provision for stage 3 had been advanced to 1 January 2000;

and make recommendations to the General Council by 31 July 2002 for appropriate action".

16. ITCB Members took the position that prior Ministerial decisions on early integration and elimination of quotas had not been implemented by restraining Members. They noted that the absence of consensus prevented the CTG from making recommendations to the General Council in respect of paragraphs 4.4 and 4.5 of the Doha Ministerial Decisions. ITCB Members expressed their regret that the repeated pattern of implementation by restraining Members of their obligations revealed implementation in a technical sense, with little progress towards effective integration by eliminating quota restrictions progressively. ITCB Members noted that consequently, the majority of quotas had been back-loaded:

- Of a total of 937 quotas notified by the United States on imports of textiles and clothing products from WTO Members under the MFA, it has thus far phased out only 103, or less than 11% of restricted quotas;
- Of a total of 303 quotas carried over by the EU, it had phased out only 91, leaving 212, or 70 per cent, still in place;
- Likewise of a total of 368 quotas carried over by Canada, it has so far phased out 76, leaving 292, or over 79%, still in place.

17. They, therefore, requested the CTG to express disappointment over the manner in which the major restraining Members had implemented their integration processes during the integration period, in particular by postponing the elimination of the bulk of quota restrictions until the end of that integration process, and also by not giving meaningful effect to ATC provisions with regard to special and differential treatment of small suppliers, least-developed and cotton-producing exporting Members.

18. They noted, however, that for the final stage of integration at the end of the 10th year of the transitional process, all the four restraining Members had already notified that on 1 January 2005, they would integrate into GATT 1994 all textiles and clothing products to which the ATC applies, which had not been integrated into the first 3 stages. And that furthermore, on 1 January 2005, they will eliminate all remaining restrictions under the ATC on such products; and thus have integrated into GATT 1994 all products listed in the Annex to the ATC. ITCB Members expressed appreciation that Norway had already abolished all 54 quotas that it had carried over from the MFA at the start of the ATC (46 before the end of 1997 and the remaining 8 at the beginning of 2001).

19. Restraining Members disagreed with the presentation of the issues by the ITCB. In responding to the issues of progressive liberalization, back-loading and the Doha Ministerial Declaration, restraining Members stated that they had implemented its integration obligations as agreed. While they did not dispute the statement by previous speakers that the integration programme had been backloaded, the fact was that their integration programmes were in accordance with the way in which the ATC had been written. The negotiating history clearly showed that when Annex C was agreed, it was provided that integration would cover not only restrained products, but the entire universe of products. The implication was clear that restrained products, for the most part, would not be integrated until the end of the ATC. It was also clear that importing Members would not "step off the cliff" and absorb large adjustments in one go. The solution by negotiators was for the acceleration of existing growth rates through each stage of the ATC. This solution had worked. Therefore, restraining Members were firmly convinced that not only had they fulfilled its obligations *a propos* integration, but negotiators had in fact designed a system that was progressive, paced adjustment, and was successful.

20. Some Members pointed out, in addition, that as expressed by the TMB in its Comprehensive Report, the timely and full implementation of the ATC would bring about important trading opportunities but also challenges WTO Members would have to meet. These Members also referred to the integration of all textile and clothing products into GATT 1994 by 1 January 2005 and to the very different pattern revealed by the third stage of integration, with a dramatic transformation of global production and sourcing patterns. As a consequence, these Members expressed the view that caution was essential in assessing the last phase of integration. The point was also made that the major review should strictly focus on ATC implementation.

21. Restraining importing Members underscored their position that they had complied in full with the provisions of the ATC and that quotas would end on 1 January 2005. They stressed that the perceived back-loading of ATC implementation should not have come as a surprise, since the ATC had precisely been written that way and since, together with the integration, negotiators had included in the ATC the staged acceleration of existing annual growth rates. In response to comments by Restraining Members, ITCB Members disputed the assertion by restraining Members as though backloading of quota elimination had been intended or provided for in the ATC. They also rejected the contention as if increased growth rates under the ATC were meant to be a substitute for meaningful integration and recalled TMB observation that growth-on-growth would not be a substitute for quota elimination.

22. ITCB Members noted the failure of an importing restraining Member to apply the minimum requirements on growth-on-growth provision as recommended by the TMB. The concerned restraining Member stated that it had fully complied with its obligations in that regard. The restraining Member concerned stated its position that the benefits of that exporting Member's WTO membership should have started from the point at which that exporting Member acceded to the WTO and not before.

Carry-Forward

23. The ITCB Members stated that they attached considerable importance to the use of the carry-forward provision this year. They argued that, in view of the non-availability of carry-forward in 2004, market access in some instances would be reduced, contrary to the WTO objective in general and ATC in particular to liberalize trade and to increase market access opportunities and not to decrease them. It was hoped that the restraining Members could accept the recommendation made by the TMB in paragraph 260 and 261 of its Comprehensive Report for appropriate solutions to be found in order to avoid the potential reduction in market access in 2004.

24. Restraining Members did not agree with the request, as the non-availability of carry-forward in 2004 had been a well-known and well-established fact for years, and since carry-forward would only be available in case there would be a quota to borrow from, which would not be the case in 2004. One restraining Member also stressed that while it was correct that the ATC was silent on the question of whether "carry-forward" would be provided in the last year of the ATC, it was also correct that the Administrative Arrangements provided by the concerned Member to the TMB explicitly provided that "carry-forward" would not be provided in the last year of the ATC. In response to a question, it was confirmed that that flexibility for carry over was available in 1995 in the first year of ATC implementation.

25. One exporting Member, supported by several others, proposed, *inter alia*, that urgent informal consultations be convened to discuss this matter. One restraining Member observed that this exercise did not appear promising but did not oppose it.

26. Informal consultations on carry-forward were conducted on 25 October and on 8 November 2004. The situation remained unchanged. ITCB Members expressed regret that in spite of the best efforts of the Chairman and the recommendations by the TMB, exporting Members are being denied the use of the carry-forward flexibility provision in 2004.

New Restrictions

27. ITCB Members underlined that the topic of new restrictions underscored their systemic concerns with ATC implementation. They highlighted three instances where, in their view, new restrictions had been introduced in violation of the ATC. The cited instances were: new restrictions introduced following the enlargement of the European Union in May 2004; the continuation of quota restrictions by Turkey despite Panel and Appellate Body rulings; and, changes to product classifications by the United States. ITCB Members requested that the CTG express its regret over the introduction and maintenance of these measures by the European Communities, Turkey and the intensification of restrictions by change in product classification by the United States in disregard of the disciplines of the ATC. Restraining Members disagreed with the presentation of these three issues by ITCB Members.

28. On EC Enlargement, ITCB Members stated that following accession of 10 new Member States from May 2004, the EC extended its quotas on textiles and clothing to include the newly-acceded States and unilaterally determined quota levels. ITCB Members recalled that a dispute panel and the Appellate Body had ruled that similar restrictions imposed by another restraining Member were inconsistent with ATC Article 2.4 and were not justified by reference to GATT Article XXIV. They further recalled paragraphs 325 and 334 of the report of the TMB, which concluded that the measures by the EC constituted new restrictions and could not be justified under the ATC.

29. ITCB Members responded that even the short-term duration of these restrictions did not make them consistent with EC legal obligations under the ATC. Nor could the claim about special efforts to accord unspecified unilateral consideration for goods in transit justify these new restrictions. Responding to the statement by the EC, ITCB Members recalled that the TMB had considered all

these arguments and still ruled the restrictions unjustified. The European Communities noted in reply that the TMB conclusions were not surprising having regard to the fact that the ATC was not designed to take account of a very specific situation like EU Enlargement. In fact, EU Enlargement was outside the remit of the ATC. The Communities maintained that it had fully complied with its obligations under the ATC. In response to EC comments, one Member questioned whether WTO Members could substitute the ATC with EU Enlargement; i.e. whether one set of obligations could be substituted for another set of obligations.

30. The European Communities maintained that the restrictions referred to were not new restrictions but rather existing ones adjusted to take into account the EU's Enlargement. The European Communities did not consider the geographical extension of the application of existing restrictions as constituting new restrictions in the sense of Article 2.4 of the ATC. Linked to this point was that the question of restrictions applying to geographical parts of the Communities (where they had not been applied before) were of a short-term nature, since all quota restrictions would disappear by 1 January 2005. Furthermore, in the hand-over period of 1 May 2004, the Communities had made every effort to lean in favour of the exporting Members with goods in transition. The Communities responded to the question of whether the Turkey/India Panel addressing the issue of a customs union and the introduction of quotas constituted a precedent, which by analogy was valid and comparable to the specific situation of EU Enlargement. The Communities took the position that the two situations were qualitatively different. The Communities stated that the accession process, on the one hand, and the Enlargement process, on the other, were different, with Enlargement (which extended membership from 15 to 25) being a deeper process than the elements of a customs union. Finally, the Communities considered that relevant GATT 1994 provisions, as mentioned in Article 2.4 of the ATC, provided legal justification for the measures taken.

31. ITCB Members stated that the second restraining Member, following the establishment of a customs union with the European Communities, had imposed quota restrictions on textiles and clothing imports from other trading partners on which the Communities also imposed the restrictions in question. Following a challenge by one exporting Member, a WTO dispute panel had found that the measures adopted by the concerned restraining Member were inconsistent with the provisions of Articles XI and XIII of GATT, and ATC Article 2.4. The Panel and the Appellate Body had also rejected the claim by the restraining Member that these restrictions were compatible with Article XXIV of the GATT. The concerned Member later withdrew the restrictions from selected Members, but still continued to maintain these restrictions on imports from a number of ITCB Members.

32. In response, the restraining Member, stated that its measures were in compliance with the policies of its Customs Union Partner. It also stated that, at the time, a mutually agreed solution had been reached with the exporting Member that brought the challenge. However, ITCB Members stated that a mutually agreed solution reached with one Member did not justify the maintenance of these restrictions on other Members nor the maintenance of such restrictions as it knew that the maintenance of such restrictions was not in conformity with the full and faithful implementation of that Member's obligations. The concerned restraining Member firmly maintained that it had complied with its obligations.

33. ITCB Members stated that in the course of ATC implementation, a third restraining Member substantially changed its rules of origin relating to the import of textiles and clothing products, creating significant adverse effects on trade. Of particular relevance for the ITCB in this context, was the change in the classification of certain products enlarging the scope and incidence of restrictions under the ATC to the disadvantage of exporting Members. ITCB Members stressed that what was at issue was not the changes in rules of origin, which the restraining Member had referred to, but the change in the classification of certain products which had led to the intensification of quota restrictions.

34. The concerned restraining Member stated that the facts were clear. It recalled that its measures had neither been challenged by one exporting Member in the TMB nor under the ATC, but under the Agreement on Rules of Origin. The concerned restraining Member had won the case. It was self-evident that no Member was arguing that the concerned restraining Member had violated its obligations under the ATC. The concerned restraining Member was within its rights and that was the end of the matter.

Administrative Arrangements

35. With respect to administrative arrangements for quota administration and implementation, the ITCB Members stated that the administrative arrangements had existed only for the purpose of implementing and administering the restrictions maintained under the ATC. They should, therefore, be dismantled on the expiry of the ATC on 1 January 2005. They recalled the observation by the TMB that the process of ATC integration would only become complete if the administrative arrangements that were related to the administration of quota restrictions were also abolished and proposed that the CTG should re-affirm the observation by the TMB. They stressed that by their very nature, these arrangements were inconsistent with the basic GATT rule of MFN treatment as they applied only to certain Members. ITCB Members recalled that Canada had notified that it would dismantle its administrative arrangements with ATC expiry.

36. One restraining Member argued that it was incorrect to affirm that the restraining Members had an obligation to eliminate all administrative procedures that were notified to the TMB under the ATC. Only those that could not be justified by other WTO provisions would have to be eliminated. Restraining Members pointed to the fact that quotas would have to be enforced until the very end of the ATC and that this enforcement would have to be monitored on the import side as well. In this regard, the administrative arrangements necessarily will also have to apply to the management of 2004 shipments arriving in 2005.

Transitional Safeguard Mechanism

37. On the use of the Transitional Safeguard Mechanism, the ITCB Members observed that, after 24 safeguard actions had been taken in 1995, only two were taken in 2002, and none in 2003 and 2004. ITCB Members suggested that the Council may want to express its satisfaction with respect to the restraint exercised by Members in the invocation of safeguard actions in the third stage of the integration process, and record its appreciation of the manner in which the TMB had conducted its examination of safeguard actions, especially after guidelines had been established by dispute panels and the Appellate Body.

38. One restraining Member drew the attention of the Council to the fact that it had not had recourse to the provisions of Article 6 of the ATC. Another restraining Member stated that it had invoked Article 6 provisions in cases it thought were justified. In some cases, the TMB had concurred, in some cases it had not. In other instances, it had withdrawn the action. Subsequently, it had not faced the circumstances that required it to invoke the provisions of Article 6.

Article 7 – Abiding by GATT rules and disciplines so as to achieve improved market access, ensure the application of policies for fair and equitable trading condition and avoid discrimination against textiles in general trade policies

39. As regards Article 7 issues, restraining Members stated that Article 7 was an element of balance in the ATC for the removal by the restraining Members of the restraints they maintained, over a ten-year period. It was believed that the exporting Members had incurred the obligation as stated in Article 7 in spite of the situation that, many had remained quite closed to imports of textiles and apparel products, thereby foregoing some of the benefits that would have accrued from liberalizing the sector. They noted that this was an element of unfinished business under the ATC, which would

have to be addressed within the Non-Agricultural Market Access (NAMA) negotiations. A Member noted the improvement in overall market access brought about by the customs union it had formed with another restraining Member, while many exporting Members had not sufficiently fulfilled their Article 7 obligations. Because of this, there had been substantial trade imbalances between that restraining Member and exporting Members.

40. ITCB Members pointed out that the TMB had unambiguously observed that Members continued to implement their specific commitments undertaken as a result of the Uruguay Round and no particular problem related to such implementation, affecting products covered by the ATC had been brought to the attention of the TMB by any WTO Member. Moreover, while the restraining Members had not reduced their tariffs over and above their commitments under the Uruguay Round, many exporting Members had implemented significant tariff reductions in addition to their Uruguay Round commitments. Consequently, claims about any non-fulfilment of obligations in this regard were neither well founded nor established by facts. They requested the CTG to pronounce itself accordingly.

41. In the context of Article 7.1(b), ITCB Members raised the issue of the improper recourse to trade remedy actions such as anti-dumping actions on products under restraint. They pointed out that several aspects of the methodology used by the Member concerned in dumping determination had been faulted by a WTO Panel and the Appellate Body. In this context, they also noted the possible downward pressure on prices that could ensue from the abolition of all quota restrictions on 1 January 2005 was mentioned, and the pressure that might result for introducing alternate methods of protection on imports from developing Members. They drew attention to the decisions taken by Ministers in Doha in this regard and the Council was urged to recall the Doha decisions in its report and to establish appropriate procedures to operationalize this decision.

42. Another exporting Member drew attention to its example as a liberal market in this sector. It was suggested that the CTG should take note of the relevant observations made by the TMB in its Comprehensive Report and conclude accordingly, namely that the concerns expressed by the European Communities and other importing restraining Members in relation to market access commitments in the context of Article 7, were not justified.

Conclusions

43. The Major Review of the Implementation of the Agreement on Textiles and Clothing (ATC) in the Third Stage of Integration in accordance with Article 8.11, is the final review of the ATC. The review was initiated at the Council for Trade in Goods on 1 October. Dedicated Sessions were held on 25 October and 11 November. Several informal consultations were held on 25 October, 8 and 18 November and on 9 December. There were also direct contacts amongst delegations, facilitated by and with the assistance of the Secretariat. The major review exercise, which was organized around the six agreed topics, was systematic, purposeful and thorough. In the course of the review, there was an extensive exchange of views by Members on the six topics in both formal and informal settings.

44. Having regard to the foregoing, the Council for Trade in Goods hereby decides to:

- (i) take note of the TMB⁵ Report, which provided a basis for the major review;
- (ii) take note of all statements made by Members in formal sessions in the course of the major review, which shall be reflected in the records of the CTG;

⁵ Pursuant to ATC Article 8, the TMB consists of a Chairman and 10 Members. TMB Membership is balanced and broadly representative of the Membership, with provision for rotation at appropriate intervals. Members discharge their functions on an *ad personam* basis.

- (iii) take note of the repeated unanimous re-affirmation of all CTG Members of the expiry of the ATC on 1 January 2005 in accordance with ATC Article 9; and,
 - (iv) agree that the CTG shall maintain active oversight and continue to monitor the implementation of the ATC until 31 December 2004.
-