

GENERAL AGREEMENT ON TARIFFS AND TRADE

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ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Statement by the United States' representative at the
Textiles Committee Meeting on 16 July 1981

On Tuesday my delegation listened carefully to the presentations made by exporting and importing countries. As you may recall, I concluded my remarks in May by noting that I took encouragement from this Committee's long tradition of constructive and pragmatic discourse and negotiation. I am concerned today that the current trend of these discussions could very easily lead to a serious break in that tradition.

A number of views expressed in Tuesday's session displayed major gaps between the starting positions of both exporting and importing participants. Many of these views undoubtedly have strong appeal from the perspective of one's own situation. I question, however, how much thought has been given as yet to considering how newly proposed arrangements might also accommodate the genuine needs and concerns of other participants.

I repeat my Government's strongly-held view that a continuation of a suitable arrangement for textile trade is very much in the interest of all the participants in this Committee. A suitable MFA cannot be negotiated in a vacuum. It must exist in a politically and economically complex world in which pragmatic solutions are sought and worked out in a mutually satisfactory way.

Concerning Ambassador Jaramillo's statement, I recognize there was an obvious effort to minimize rhetoric in making his presentation. I compliment him and the LDC countries for that. Unfortunately, I cannot say the same for the proposals themselves.

These proposals, if adopted, would profoundly alter the MFA at a time when all importing countries have expressed concern regarding increased pressure from imports. Some of these specific suggestions were not acceptable to this Committee in 1973 nor in 1977 when additional flexibility was introduced. Certainly, then, in today's environment, with ever increasing pressures for further latitude in approach, it is even more unrealistic to regard these proposals as being acceptable.

My Government recognizes and supports that one principal aim of the MFA is to further the economic and social development of the developing countries and to secure a substantial increase in their export earnings from textile products. I noted in my statement in May that the value of the developing countries' surplus in this trade with developed country MFA members has risen by an average of 29 percent per year between 1973 and 1979.

It is equally the intent of the MFA, however, to ensure that the expansion of textile trade occurs in the framework of orderly and equitable development, avoiding disruptive effects in individual markets and in individual lines of production in both importing and exporting countries. The proposals submitted on behalf of exporting countries quite frankly would so emasculate the provisions of the MFA relevant to these latter objectives as to render them virtually useless. To give a few illustrations, importing countries would be asked on the one hand to avoid arbitrary determinations that any given volume of imports is in itself disruptive and on the other hand be directed to observe arbitrary rules that no level of imports

can be considered disruptive unless it bears a certain relationship to other imports. Provisions of the existing MFA calling for special treatment and consideration for new entrants, small suppliers and trade in cotton textiles, provisions I stress which my Government seeks conscientiously to implement, would be converted into absolute prohibitions to act. The resulting loophole could be so enormous as to completely undermine efforts to achieve orderly expansion. If someone thinks that might be an overstatement, I can recall recent examples in which a new entrant received orders for delivery in just half a year equal to 20 percent of U.S. production of the product involved, or another case where actual imports received from a new entrant in a four-month period were equivalent to about 40 percent of U.S. production of the product in the previous year. It could further develop, moreover, that in the limited instances when an importing country would be authorized to act it could find itself enjoined from acting until a lengthy review process had been completed. As the examples above suggest, the issue might well be academic by that time, since domestic production and

employment by that point could be damaged beyond repair. Many of the proposals would create strong incentives for suppliers to rush to developed country markets with large shipments in very short periods. These practices could in no way be considered orderly and non-disruptive and this could be as unfortunate for established suppliers, small and large, as it would be for importing countries.

Let me hasten to acknowledge at this juncture that it is not my intention to focus exclusively on the exporting participants' proposals. Several importing participants have also suggested significant altering of the current MFA. I well understand the circumstances that prompted consideration of such objectives. They exist in the United States as well.

It is not surprising that my Government is under considerable pressure to seek changes in the MFA which would explicitly acknowledge the desirability of many of the objectives noted by various importing countries. Nevertheless, as we indicated at the last meeting, my Government is prepared to start by seeing if a way can be found to address our problems within the framework of the existing MFA, including the interpretive protocol of extension. I respectfully suggest that answers might be found by seeking a better understanding on all sides on interpretations of the existing arrangement where important differences of opinion have, or might, exist. Attractive as it may seem to address problems and concerns by proposing significant alterations in the MFA, I think Tuesday's statements reveal the enormity of the task we could face if we attempt, in effect, to negotiate a completely new instrument.

Having said that, I stress that my Government must at the end of the day be satisfied that this approach can suitably address the problems I outlined in May. I emphasized my Government's special concern with new, more complex aspects of market disruption. I called particular attention to situations involving large import quotas and market shares, pointing out that the terms of growth and flexibility for such quotas and the degree of their utilization from year to year are of unusual importance in considering potential for market disruption. As I observed in May, such considerations bear importantly on the rate at which a particular market can accommodate imports from other sources of similar competitive strength while still avoiding serious disruption.

The current MFA encompasses the possibilities for "reasonable departures." I realize that many exporting countries have expressed concern that the 1977 protocol which permits reasonable departures does not provide for sufficient discipline in implementation. The use of reasonable departures, however, might be defined to apply to circumstances involving complex market disruption, easing the concerns of many exporting countries, while still providing the necessary latitude importing countries need to address these problems.

Examples of the complex market disruption to which I refer are situations where imports from a few sources, or even a single source, have attained levels which account for a very substantial share of an importing country's imports of particular products. The degree of growth in the importing countries' markets for such products also takes on particular importance in considering market disruption in these circumstances. We believe that reasonable departures from particular elements of Article 3 and Article 4 must be considered as possible solutions in the limited circumstances of complex market disruption as described in this paragraph.

Two other areas which my Government believes should be reinforced by explicit interpretation involve the obligations of developing countries to open their own textile markets and cooperation in addressing problems concerning the circumvention of agreements. My Government believes strongly that access by developing countries to world textile markets must also include in a greater degree than it has in the past, growing access to markets of other developing countries, particularly those with highly competitive textile industries. Access by developed country exporters to those markets must also be an essential element of the gradual liberalization of trade in textiles. While my Government believes most strongly that obligations to this effect exist in the present MFA, a statement reinforcing those points is required.

There is also a need, in my Government's view, to make explicit the right of importing countries, in consultation with the exporting countries involved, to require retroactive adjustment of changes to quotas to reflect the correct country of origin where evidence of circumvention of agreements is developed.

These are the suggestions my Government has in mind in recommending that better interpretations might provide a pragmatic approach to adapting the existing MFA to the problems in the period ahead. I urge once more that all participants, both exporter and importer, adopt this approach.

The existing MFA and its protocol of extension, for all its shortcomings from our various perspectives, represents arduously balanced compromises. No one is more aware than I that new circumstances must be confronted over the period ahead. However, the existing instrument does provide some latitude of approach. I appeal again that we explore how problems might be confronted within the existing instrument, and keep changes to a minimum.