

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

MTN.GNG/NG4/W/11
27 April 1988

Special Distribution

Group of Negotiations on Goods (GATT)

Original: English

Negotiating Group on Textiles and Clothing

COMMUNICATION FROM INDONESIA

The following document has been submitted by the delegation of Indonesia on behalf of a number of developing countries for circulation to the members of the Negotiating Group on Textiles and Clothing.

The Arrangement Regarding International Trade in Textiles was introduced at the instance of the major developed countries to allow them a short "breathing space" to adjust their industry and trade régimes to changes in patterns of world trade in textile products based on comparative advantage. Being based on concepts incompatible with the General Agreement, the Arrangement was developed as a temporary derogation from the obligations of the General Agreement.

The basic objectives of the Arrangement were stated to be reduction of trade barriers and progressive liberalization of trade, as well as to further the economic and social development of developing countries. Instead, the Arrangement and subsidiary bilateral agreements have become increasingly restrictive in extent and intensity, accentuating the discriminatory character of the existing trade régime in textiles. In place of differential and more favourable treatment, exports of textiles and clothing of developing countries have been subject to discriminatory restrictions, which have imposed intolerable burdens on their economies.

Furthermore, numerous studies and reports on the subject such as by the World Bank and the OECD and by national Administrations, notably the latest Economic Report of the President of the United States to the Congress, have clearly recognized the serious misallocation of resources and the enormous costs which consumers and the economies of the developed countries have had to bear as a result of the special protection granted to the textile and clothing industries.

The studies presented by the International Textiles and Clothing Bureau as well as the GATT documentation available to the Negotiating Group on Textiles and Clothing have clearly brought out the improved conditions of the state of the textile and clothing industries in developed countries. The

increased competitiveness and profitability enjoyed by these industries no longer justify a continuation of special protection for the textile and clothing industries in developed countries.

The eventual integration into GATT of the textile sector, being an integral part of the Ministerial Declaration of the Uruguay Round, perforce requires a multiple process consisting of (a) Reversal of Restrictive Measures under the Multifibre Arrangement (MFA); (b) Elimination of concepts and practices under MFA incompatible with the General Agreement; (c) Effective application of the GATT principles relating to developing countries to trade in textiles; (d) Termination of the Arrangement Regarding International Trade in Textiles and the bilateral agreements based thereon.

It is therefore, proposed that the realization of the Negotiating Objective in this area be achieved through mutually reinforcing elements as indicated below:

- A. Reversal of Restrictive Measures under the MFA.
 - (i) Freeze on further restrictions.
 - (ii) Reduction of product coverage of restrictions.
 - (iii) Relaxation and elimination of restrictions.
- B. Elimination of concepts and practices under the MFA incompatible with the General Agreement such as discrimination based on price and other selective criteria, real risk of market disruption, the use of exceptional circumstances, etc.
- C. Effective application of GATT principle of differential and more favourable treatment, in terms of Part IV and the Enabling Clause, to trade in textiles.
- D. Termination of the Arrangement Regarding International Trade in Textiles and the bilateral agreements based thereon.

The elements outlined above should constitute the basis for the formulation of modalities for the elimination of the exceptional treatment given to the textile and clothing sector on a date to be agreed upon in the Uruguay Round.