

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

MTN.GNG/NG4/W/14
17 June 1988

Special Distribution

Group of Negotiations on Goods (GATT)
Negotiating Group on Textiles and Clothing

Original: English

STATEMENT MADE BY THE DELEGATION OF FINLAND, ON BEHALF OF THE
NORDIC COUNTRIES, AT THE MEETING OF THE NEGOTIATING GROUP ON
TEXTILES AND CLOTHING, 13 JUNE 1988

The Nordic Countries consider our discussions so far useful and helpful in respect of our efforts to implement the negotiating plan of this group. Much valuable factual information has been prepared which undoubtedly has clarified the problems and questions the group is confronted with.

As to the scope of the negotiations on textiles and clothing, the Nordic Countries find it worth consideration to include, basically, all restrictions affecting trade in these products. Due regard should, however, be given to the work underway in other negotiating groups which may have a bearing on trade in textiles and clothing. The Nordic Countries consider though that tariffs on textiles and clothing should be dealt with in the Negotiating Group on tariffs.

The Nordic Countries assume that the negotiations will lead to an eventual integration of the trade in textiles into GATT on the basis of strengthened rules and disciplines. This should, however, be carried out in such a way that it does not result in a proliferation of bilateral arrangements outside the framework of GATT, a situation less transparent and perhaps less liberal than we have today under the MFA.

Nordic Countries consider that the development in trade in textiles under the MFA has at least guaranteed the producer countries some stability and expansion for their exports. It has also given a certain consideration to small producers and new entrants through more moderate application of the provisions by the importing countries. It has at the same time given the textile and clothing industries in the importing countries an opportunity to gradually adapt and restructure themselves to meet changing market conditions.

Before giving our comments on the latest submissions before us I wish to state that the Nordic Countries do not regard the Negotiations on textiles to cover a renegotiation of MFA IV, in force until July 1991. We further regard it being within the standstill commitment of the Punta del Este declaration to conclude bilateral arrangements under MFA. It is the work of this negotiating group to decide how and when an eventual integration of the textiles sector will take place, but any arrangement requires a sufficiently long transitional period in order to avoid disturbances in the process of adjustment.

I wish to give some comments first on the submission from Indonesia on behalf of a number of developing countries.

The Indonesian submission presents elements that should be applied in order to achieve the negotiating objective. Under point A the Nordic Countries consider that the bilateral arrangements concluded by them under MFA IV already comply with the second and third element. Product coverages have been reduced, and consequently fewer restrictions remain. As to the idea of imposing a freeze on further restrictions, the Nordic Countries are a bit hesitant: if it would include only the product coverage it might be feasible, but even then the importers with very limited product coverages would be in a different position compared to importing

countries with comprehensive agreements. On the other hand, if the freeze would refer to the countries subject to restrictions, the exporters would be in an unequal position depending on whether they have bilateral restraint agreements with importing countries or not.

As to the proposal in point B to drop the price criteria, it must be recalled that this is one of the main factors when determining market disruptions. We would find it difficult to change what is regarded as one of the the basic causes for restraints.

As to point C in the submission, the Nordic Countries maintain the view that the implementation of MFA IV already has a strong element of special and differential treatment e.g. when it comes to LLDC's and small producers and new entrants which are accorded less restrictive agreements.

One of the elements missing in the submission is that it gives no time frame for the phasing out programme that would end in the termination of the MFA. Without an agreement on this it is difficult to take a definitive position on other parts of the Indonesian proposal. It is evident that an agreement on time-frame is a question to be negotiated and most probably one of the main issues to be addressed during the latter part of our negotiations after the Mid Term review.

Let me now move to the submission that Pakistan has presented already some time ago. The proposal has some elements in common with the one presented by Indonesia, but it states more clearly the steps to be taken and their order.

The proposal to eliminate the price criteria as long as MFA is applicable is not justifiable as stated earlier. The same applies to restrictions based on the MFA as long as the Arrangement is in force.

As to phase III, we find it difficult to go along with the idea of requiring approval of the TSB for restrictions. The need for restrictions may be most urgent in order to halt the deterioration of a critical market situation. The autonomy of judgement as to the gravity of the situation can hardly be rejected. It seems that this requirement would also go beyond the actual safeguards-provisions in cases of market disruption.

We find it appropriate that the TSB reviews the measures taken and gives its assessment and that, in unwarranted cases, the party whose rights have been impaired should be compensated as provided for by the Arrangement..

Also the Pakistani submission leaves, despite its very timestructured form, the actual timeframe open. Evidently, and not wanting to repeat myself, we will address the timing issues after MTR during the latter part of the negotiations.

The Nordic Countries emphasize their readiness to discuss change in the present practice in the trade in textiles with a view to reaching the objectives set forth in the Punta del Este Declaration. But we expect that an eventual integration of the trade in textiles into GATT and the termination of the MFA has to fullfil the criteria which I mentioned in the beginning of this intervention, namely that the real situation and de facto practices must not deteriorate from the present ones. The contrary would serve nobody's interests and definitely not those of the exporting countries.

Then I would like to give some brief comments on the communication the EC has circulated. The suggestions by EC are interesting and will surely contribute to our work. The paper contains many observations that are valid when striving at reaching our

objectives. It is evident that the objectives set can only be reached progressively and that the measures have to be realistic. To emphasize the need for strengthened rules and disciplines is essential when looking for the modalities to reach the negotiating objectives. I wish to reiterate that our objective must not lead to a situation worse than the existing one.

Analysis by the GATT Secretariat

The Punta del Este declaration foresees the eventual integration of textiles and clothing into GATT and this would mean that one day, there will be no more MFA in this world. There would only be tariffs, some very few remaining licensing schemes and some quantitative restrictions. But no restrictive measures based on bilateral agreements under the MFA. What then would the developments be? What would happen in the major importing countries? Would factories close? Would prices for the consumers fall? Would everyone feel or realize that they had gained? Would the developments be orderly? Which exporting countries would stand to gain, and would there be those among them which would lose markets?

There are many questions as we anticipate a significant change in the history of world trade. As we all know, our ministers decided in Punta del Este to set as an objective for the negotiations on textiles and clothing the formulation of modalities that would permit the eventual integration of this sector into GATT on the basis of strengthened GATT rules and disciplines. The implications and possible consequences of achieving this objective are far from clear or obvious. There is some apprehension and a need to gain better clarity about what the future could hold.

This is why, at the last meeting of this Negotiating Group, the Nordic countries flagged the idea that the highly competent people in the GATT Secretariat try their hands at carrying out a factual analysis of what the likely consequences could be of the dismantling of the MFA and other trade restrictions in this field. We believe that there is a definite need for the decision-makers to get at least some idea of what the consequences of their decisions could be. We are convinced that many countries will undertake their own analyses from their own national perspectives. But we also believe that a general analysis with a global perspective is much needed.

The request for this analysis is certainly not meant as some sort of delaying tactic on our part. We are putting this forth in good faith and our aim is to obtain adequate background information as a constructive aid in the decision-making process that should lead to the eventual integration of textiles and clothing into the GATT. The effects of such a liberalization process need to be assessed in an objective manner, and modalities for a calm and orderly process should be sought. The analysis should attempt to estimate the developments for, primarily, production, employment, prices and trade in textiles and clothing. We believe a very good point of reference for this sort of analysis could be parts of the 1984 Textile study, but the analysis of the possible development should go deeper and be more detailed.

The Nordic countries would therefore at this meeting like to propose that the GATT Secretariat be asked to carry out an analysis of the global economic and trade consequences of the dismantling of all restrictions under MFA and other trade restrictions in this field and the possible developments during an adjustment period with different progressive elements. We realize it will not be possible to have the analysis ready for the mid-term review, but see it more as a contribution to the required decision-making process that lies ahead for all our governments. It is our hope that such an analysis would provide a constructive impetus in reaching the negotiating objective.