

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

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

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STATEMENT MADE BY THE DELEGATION OF INDONESIA, ON BEHALF OF A NUMBER
OF DEVELOPING COUNTRIES, MEMBERS OF THE INTERNATIONAL TEXTILES AND
CLOTHING BUREAU AT THE MEETING OF THE NEGOTIATING GROUP ON TEXTILES
AND CLOTHING ON 5 MARCH 1990

Our members in the ITCB have considered carefully the concept of global quotas put forward by Canada and the United States. It is our unanimous view that the modality of global quotas would conflict with the mandate agreed upon in the TNC in April last year. The mandate clearly mentions phasing out of restrictions under the MFA. The introduction of this concept implies that we are going back on what was agreed upon last year. There is no doubt in our minds that the pursuit of this concept will hamper our efforts to fulfil our mandate.

We find several difficulties in accepting this concept as a working proposition. The sole merit of global quotas is that they would be non-discriminatory in character if they are designed to cover the imports from all countries. As against this, the restrictions will increase for all groups of suppliers. The developing countries will be affected in products which are at present unrestrained. These developing countries would be deprived of the possibilities of product diversification in their trade. Their prospects of trade expansion would also be severely curtailed. The MFA IV has already witnessed an increasing trend towards the use of aggregate and group limits by the United States in its bilateral agreements. The global quotas would impose a further "cap" on the possibilities of growth in the trade of the restrained countries. We cannot accept a proposition that would lead to a further increase in restrictiveness in this sector which is so vital for the economic development of our members. Furthermore, it conflicts with the commitment of further liberalization of world trade in the Uruguay Round. We believe that the integration of the textile sector into GATT must lead to further liberalization.

I would also like to recall, that in the past whenever a system of import quotas was being liberalized, it was never achieved by raising at the beginning the level of restrictiveness. In the post world-war years, the OEEC Code of Liberalization took the existing restrictions as the points of departure for progressive elimination. The same system was adopted in the European Community, at successive stages of its enlargement, when the restrictions with the new members were required to be dismantled. This past experience is relevant for our task and should not be ignored.

The United States has stated that global-type quotas have been preferred because they lead to "gradual opening of markets to competitive

forces". They place great importance on the transition mechanism allowing "trade patterns to be driven by market forces as early as possible and to the maximum extent possible". Canada also wants the integration process to be "market oriented" and as close as practicable to "fair competitive conditions". Global-type quotas contain an inherent contradiction with this aim. The domestic industry will continue to be isolated from the market forces during the whole process. Indeed it will enjoy greater protection because the totality of imports will be restrained by global-type quotas. The opening of markets to competitive forces should ensure in the first place increased competition between domestic producers and foreign suppliers. The United States' idea of global quotas with progressive increases in the size of the "basket" will only increase competition among the foreign suppliers. Here it will be relevant to note that in many product categories, the domestic producers are by far more important in the United States market than foreign suppliers.

Even the aspect of increased competition among foreign suppliers, on examination, seems to be of limited value. There are a number of product categories in which the proportion of restricted imports is very high and the developing countries are the principle suppliers. We fail to see what benefits will accrue to these countries from the expansion of the global basket, particularly when FTA members are likely to be excluded from the purview of global quotas.

It must also be realized, that any change-over from the present restrictive system to another one will inevitably lead to dislocation of trade. The existing commercial relations between the exporters and importers will be disrupted until new ones are established. This will result in uncertainties. The proposed system would have more certainty and predictability in the protection of the domestic industry, but not for foreign suppliers.

We do not know what legal cover the United States has in mind for its global quotas. We notice that Canada intends to seek a derogation from Article XIX in respect of the requirements of the criteria of serious injury and compensation. We think that it would be unwise to tinker with Article XIX. It may have grave repercussions on the safeguard negotiations. We find that Canada has not suggested the allocation of country shares as has been proposed by the United States. We would, however, like to point out that the treatment of country shares suggested by the United States will not be entirely consistent with Article XIII. That Article does not provide for progressive reductions of country allocations.

The United States has proposed a ten-year period for global quotas. We cannot visualize how these quotas would be dismantled at the end of that period. If they find it difficult to progressively remove the current set of quotas which are much less pervasive, do they imagine that it will be possible to eliminate them overnight at the end of the tenth year? Will there be then another transition period? Or is it the intention to continue them in perpetuity under Article XIX?

For all these reasons, we find the concept of global quotas inappropriate for our task in this Group. The purpose of integration is to seek liberalization of trade of the textile sector. It cannot be achieved by increasing the level of restrictiveness. On the contrary the domestic industry in the restraining countries should be allowed to face market forces and competition in a progressively increasing manner. I must remind that in both these countries the textile tariffs are very high - higher than those of the other industrialized countries and also higher than the tariffs for most of the other manufactured products in their own countries. We do not see any justification for more protection for this sector. I would urge once again - as I did in the last meeting - that we start serious negotiations with the current restrictions as the point of departure. There are now a number of proposals on the table for phasing out the MFA restrictions. Many of them have suggested specific approaches in this regard. The stage has come when it is essential for the European Community to spell out its detailed ideas on the phase out of the MFA.

We are all aware of the limited time at our disposal. We should have a framework ready by July. There is urgent need to decide on a programme of work providing for discussions and decisions on particular issues of each of our meetings from now on until July. We strongly believe that issue oriented negotiations within a definite time-table is essential for us to reach our target and achieve our mandate by July this year. We should be ready with a blue print for the phase out of MFA restrictions by July.