

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

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COMMUNICATION FROM THE UNITED STATES

The following communication has been submitted by the delegation of the United States, for circulation to members of the Negotiating Group on Textiles and Clothing.

INTRODUCTION

Our statement today is designed to address each of the six items listed on the agenda for this meeting and, in particular, to elaborate in more detail our ideas with respect to modalities for the phasing out of MFA restrictions and of other restrictions not consistent with GATT rules and disciplines.

Our proposals and comments with respect to all of the agenda items before us are made in the context of a set of general criteria by which we shall try to assess the outcome of our work. These assumptions/criteria complement those set out in our previous submissions (see pages 4 and 5 of W/33 and page 2 of W/37) and are listed here today as part of our common effort to develop a viable mechanism or set of mechanisms for the integration of the textile and clothing sectors into GATT.

A. All restraints maintained under the transition period would be brought into conformity with GATT by the end of the transition period (i.e., full integration into the GATT would be complete and no special rules for textiles and apparel could be applied).

B. The disciplines of the transitional regime would be comprehensive, i.e., would apply to all textile and apparel products, including pure silk (where restraints have been taken outside the MFA), until these have been integrated into GATT either as a part of the transition program or upon its termination.

C. All participants would contribute to the genuine liberalization of trade during the transition period.

D. GATT rules and disciplines will have been sufficiently strengthened to make integration viable.

STRENGTHENED GATT RULES AND DISCIPLINES (Agenda Item 2(A)(I))

The last two of the above cited assumptions bear directly upon not only the formulation of strengthened GATT rules and disciplines but also their implementation. As participants will recall, my delegation made a specific procedural proposal as to how this aspect of our work should be handled in this negotiating group (W/33, pages 2 and 3), and we believe this approach remains valid.

As we have indicated in our earlier submissions and in various oral interventions, we are in broad agreement with the approach adopted by the European Communities and other developed countries in this area, i.e., we consider that a viable integration process will have to be based on a strengthening of GATT rules and disciplines so as to insure a general opening of markets, fair competitive conditions in and among those markets (e.g., with respect to balance of payments/infant industry measures, subsidies, dumping and intellectual property) and a satisfactory set of rules and disciplines with respect to the provisions of Article 19 of the GATT.

We see progress in the areas of market access as directly relevant to the work in this group and would support the EC's position on this element as set out in W/24, pages 6-8, as well as the thrust of their intervention at our last meeting (see para 3 of MTN.GNG/NG4/20). We would, in this respect, voice our concern that some of the most ardent advocates of liberalization in the field of textiles and clothing have yet to make any substantive contribution to the issue of market access in other relevant negotiating groups.

TIME SPAN (for a transitional arrangement) (Agenda item 2(A)(II))

Assuming that the assumptions/criteria outlined in Section II of this paper were met, we would reiterate our earlier proposal for a time span of ten years to obtain the objective of full integration on the textile and clothing sector into the strengthened GATT. While this time span could begin on August 1, 1991 and end on July 31, 2001, we believe it would be more practicable and would give the industries of both exporting and importing countries a better base for planning if the transitional regime were to begin on January 1, 1992 and end on December 31, 2001.

MODALITY FOR THE PHASING OUT OF MFA RESTRICTIONS (Agenda item 2(A)(III)(A))

We have in the past suggested that this group examine three possible approaches to a regime for integrating the textile and clothing sectors into the GATT, and have given a fairly

detailed outline as to how one of these approaches, the use of an MFN-based system could be developed and implemented. We would like to elaborate on, and in certain respects modify this option in response to the many questions and bilateral and plurilateral discussions we have held since the last meeting of this group. We are providing this elaboration in an appendix to this statement and are prepared to discuss it in detail when we reach this item on our agenda.

MODALITY FOR PHASING OUT OF OTHER RESTRICTIONS NOT CONSISTENT WITH GATT RULES AND DISCIPLINES (Agenda Item 2(A)(III)(B))

In our September 21 statement to this group (W/26) we outlined six categories of measures which we believe need to be addressed in this context. Discussions since then indicate general agreement with respect to some categories and lack of agreement, so far at least, with respect to others.

These discussions also suggest to us that it may not be necessary to try to draw up an agreed list of such items in order to agree on a modality for dealing with them. In our submission of December 14 (W/33) we made a specific procedural proposal to that effect. In taking into account both formal and informal comments and discussions since then, we would modify and expand our proposal as follows:

We propose that all participants agree that:

(1) any integration process adopted during the Uruguay Round will encompass all measures affecting trade in textile and clothing which have not at that time been integrated into GATT;

(2) that restraints be applied to or introduced with respect to any textile or clothing product only in accordance with the procedures agreed upon for the integration process (i.e., the transition regime). If it is agreed that certain textile and/or clothing products will not be subject to the transition regime, restraints on such products would be applied or introduced only as set out in paragraph 3 below.

(3) at the end of any integration process adopted during the Uruguay Round, no CONTRACTING PARTY will undertake or maintain any measures affecting trade in textiles or clothing which have not been justified pursuant to a provision or provisions of the General Agreement, or an instrument negotiated thereunder, and notified to the appropriate GATT body or bodies in accordance with the applicable procedures.

(4) all participants would notify to an appropriate surveillance body at the commencement of the transition regime and periodically thereafter all restraints maintained or

introduced on any textile or clothing product and the provision(s) of either the transition regime or the GATT pursuant to which the action has been taken. Cross notification would also be permitted.

(5) any dispute arising from this process would be handled in accordance with agreed procedures.

SAFEGUARD MECHANISM (Agenda item 2(A)III(C))

Any transition arrangement will have to incorporate a safeguard mechanism which will enable importing countries to insure that their markets will not be disrupted by imports of products subject to that arrangement during the transition period. As noted in the appendix to this paper, an adequate safeguard procedure is integral to the comprehensive approach outlined therein. While we are willing to discuss alternative methods, we believe the formulation we have outlined to provide an optimal balance of simplicity and certainty for importers and exporters alike.

SURVEILLANCE MECHANISM (Agenda Item 2(A)(III)(D))

We would propose the establishment of a standing body, similar in composition and structure to the current Textiles Surveillance Body (TSB) to monitor all aspects of the transition regime, including the integration process for MFA and non-MFA restraints inconsistent with the GATT and the relationship of this process (as applicable) to other commitments undertaken with respect to strengthened GATT rules and disciplines.

Procedures will be needed for regular and timely reporting by participants on all aspects of the integration process, as well as procedures for dispute settlement. We have taken note of various proposals as to how these functions could be handled, and will be making further observations in the course of our discussion, but envision at this time that with respect to the latter, the Surveillance Body would have initial jurisdiction.

Appendix

Comprehensive MFN-Based Modality

General: This modality would be a non-selective MFN-based arrangement which would permit and set criteria for the establishment of quotas on an agreed range of products for the lifetime of the transition period.

Safeguard Mechanism: For those products where integration requires the orderly development of trade during the transition, we would suggest that a comprehensive global basket serve as the safeguard mechanism. We are, of course, willing to discuss various alternatives that have been proposed; however, our views are that all countries, including those with minimum guarantees, would be free to compete within the basket.

Quota Formulation: The quotas for each product would be set at the average level of the last three years of total imports (1987-1989) plus an additional increment which would be applicable to all countries utilizing the modality and which would be multilaterally negotiated.

Growth Rates: Each quota would be accorded progressive growth rates, to be multilaterally agreed in advance. These growth rates could vary according to the sensitivity of the products covered. The U.S. proposal in this respect is portrayed graphically in the table attached to an earlier submission (W/37) and is also included as Attachment 2 to this submission. The indicator "x" represents a positive number to be negotiated multilaterally.

Country Guarantees: These would be in the form of minimum guarantees for each supplier which had previously been subject to a quota on this product. The level would be based on the average of the last three years of trade (1987-1989).

(i) suppliers subject to quotas in the relevant product categories at the beginning of the transitional period would automatically be granted a minimum guarantee; however, no one supplier would account for more than 15 percent of the total quantitative limit.

(ii) the country minimum guarantees would be constant -- they would not increase or decrease -- during the transition period;

(iii) country minimum guarantees would be fully tradeable among exporting countries.

Global Basket: That portion of the quota for any given product which is not accounted for by specific country allocation (guarantees) would be a "global basket" open to competition from all suppliers, including those holding individual country allocations.

Quota Management: Export shipments that are credited against country guarantees would be allocated by the exporting countries just as MFA quotas are presently administered. As noted above, quotas would be fully tradeable among exporting countries. The global basket would be allocated by importing countries.

Country Coverage: Comprehensive country coverage, the only exceptions to be between or among partners in customs unions or in free trade arrangements.

Special Preferences: Special preferences for the least developed could be extended by a method to be determined during the negotiations.

Product Coverage: Product coverage is an essential aspect of any transition arrangement and there are two aspects to product coverage which need to be addressed.

A. agreement on the range of products which constitute the textiles and clothing sector, i.e., which constitute the sector that we have all agreed should be integrated into GATT; and

B. agreement on which of these products should be subject to a transition arrangement and which should be integrated into GATT forthwith or at different stages during the transition period.

With respect to the range of products to be covered, we would propose using the relevant headings of the Harmonized Commodity Code to define the sectors for integration as indicated in Attachment 2.

With respect to those products which should be integrated into GATT straight away or on a phased basis (i.e., which products should not be subject to the transition regime), there have been a number of proposals ranging from the sectoral approach (e.g., as proposed by Pakistan) to specific categories of products (e.g., luggage) to broader conceptual categorizations (e.g., items not produced in the importing country or items falling outside Chapter XI of the Harmonized Commodity Code or items produced under outward processing arrangements) to items which do not meet the criteria of market disruption or real risk thereof.

The U.S. is prepared to examine carefully all proposals with respect to product coverage and criteria for integrating products into GATT prior to the end of the transition period. We have already proposed elimination of certain outward processing trade (in our case, trade subject to provisions requiring use of U.S.-made and cut fabric). In addition, we have concluded that we cannot consider exemptions for articles made of, for example, ramie, which are identical or directly competitive with products of cotton or man-made fiber under the provisions for considering exemptions for items not produced in the importing country. We will wish to discuss other possibilities in more depth during the course of this meeting.

Attachment 1

Proposed Definition of Textile and Clothing Sector

All textiles and textile products covered in Section 11, Chapters 50-63 of the Harmonized Code plus textile products from the following chapters: 39, 42, 64, 65, 70, 94 and 96, as listed below:

- 3921.12 - vinyl chloride and polyurethane
- 3921.13 strips combined with textile materials

- 3921.90 - other plastic strips combined with
textile materials and weighing not more
than 1.492 kg/m²

- 4202.12 - trunks, suitcases, vanity cases,
4202.22 attache cases, briefcases, travel,
4202.32 sports and similar bags, etc. with
4202.92 outer surfaces of cotton, man-made
fibers, or of silk blends or non-cotton
vegetable fibers

- 6405.20 - footwear with soles and uppers of felt

- 6406.10 - parts of footwear, removable insoles,
6406.99 gaitors, leggings and leg-warmers of
cotton, man-made fibers, wool or fine
animal hair or non-cotton vegetable
fibers

- 6501.00 - hat forms, hat bodies and hoods of felt

- 6502.00 - hat shapes of man-made fibers

- 6503.00 - hats and other headwear of felt or
6504.00 man-made fibers

- 6505.90 - hats and other headgear, knitted or
crocheted, of cotton, wool or non-cotton
vegetable fibers

- 7019.10 - glass fiber yarns colored and
7019.20 non-colored

- 9404.90 - mattress supports, articles of bedding
pillows, cushions, quilts and comforters
of cotton, man-made fibers, or non-cotton
vegetable fibers

- 9612.10 - typewriter or similar ribbons, woven of
man-made fibers.

QUOTA COVERAGE AND GROWTH RATES

PRODUCT SENSITIVITY	1992-1994	1995-1997	1998-1999	2000-2001
VERY HIGH	X	X+1	X+2	X+3
HIGH	X+1	X+2	X+3	X+4
MODERATE	X+2	X+3	X+4	X+5
NO COVERAGE				

X = Basic Growth Rate (A Positive Number To Be Negotiated)