

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

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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 JAPAN AT THE
MEETING OF THE NEGOTIATING GROUP ON TEXTILES AND CLOTHING
ON 13 JUNE 1990

Introduction

During the past several months, this negotiating group has been divided upon whether a MFA based or a global quota approach should be applied concerning the modality to phase out restrictions.

In spite of differences of opinions on this question, however, it seems that many participating countries generally agree on the following points:

1. The MFA should be terminated; and in order to integrate the textiles sector into GATT, the textile trade thereafter should be managed using a transitional framework.
2. Special transitional safeguard measures which will be applied in the textiles and clothing sector during the transition period are necessary.
3. Certain criteria or rules should be established in order to limit the scope within which restrictions can be applied during the transition period.
4. As one of the approaches for phasing out restrictions, the growth rate to be applied should be set to increase progressively during the transition period.
5. The least developed countries should be given special and differential treatment.
6. A multilateral surveillance body such as TSB should be established in order to monitor the integration process.

So, as many of us agree on those points, let us pay as much attention as possible to the points where we share similar views, as to the points in which we may differ, in order to reach a draft framework agreement by July.

The basic Japanese position was stated in our February proposal (W/35) and the supplementary paper in May (W/48). Above all, we consider the following to be of special importance.

The modality for phasing out the MFA restrictions and safeguard mechanism during the transition period

1. Scope of restrictions

In view of the basic Japanese position that restrictions during the transition period should be as limited as possible, we welcome ideas to limit restrictions based on certain objective criteria such as market share.

However, we believe that restrictions should be confined to products which have cleared a test concerning the existence of market disruption, which should be determined on the basis of objective and quantitative criteria as far as possible, taking other comprehensive factors into consideration as well.

Therefore, existing restrictions should not be allowed to remain in force without a test concerning the existence of market disruption at the beginning of the transition period. Without such a test, the results would be even more protectionistic than the procedures under the MFA.

2. Duration of the restrictions during the transition period

There is an opinion that the restrictions invoked at the beginning of the transition period could be maintained for many years right until the termination of the transition period.

However, restrictions during the transition period should be implemented only when emergency action is needed to eliminate market disruption. Moreover, restrictions should not be allowed to continue over an unnecessarily long period, rather they should be limited to two or three years.

3. Method of phasing out restrictions during the transition period

Japan's basic position is that rules for invoking restrictions should become progressively stricter year by year in order to ensure a feasible and practical integration of the textiles and clothing sector into GATT.

From this viewpoint we believe that effective phasing out of restrictions can be achieved by setting preconditions for invoking restrictions which should become stricter year by year, based on the IP ratio, an increase in the IP ratio, or decline in domestic production, and so on.

4. Safeguard measures during the transition period

Japan has proposed establishing transitional measures to cope with increased imports during the transition period. The transitional measures are to be implemented on the basis of strict procedures and objective criteria. Moreover, any country can invoke the transitional measures at any time during the transition period if imports of certain products cause market disruption. Needless to say, the rules for invoking the transitional measures should become progressively stricter year by year in order to avoid making application too easy and to ensure that restrictions

are effectively phased out. We are encouraged that some other delegations have proposed transitional safeguard measures based on the same principles as our transitional measures.

However, we cannot accept the concept of transitional safeguard measures whereby an importing country can take transitional safeguard measures during the transitional period only if the product is under restraint by that importing country in respect of other exporting countries.

That is, we reckon such measures are unacceptable if only an importing country can take transitional measures against exporting countries, when the product is already under restrictions by that country against at least one exporting country, whereas another importing country cannot invoke the transitional measures on the product, even if there is serious market disruption if it does not impose any restrictions on that product at all at the moment.

If transitional measures are implemented in accordance with the above concept, the following problems will arise.

First, once a country had liberalized restrictions on a product, it could not invoke transitional measures even if market disruption re-occurs. As a result, an importing country, unwilling to liberalize restrictions, would then be inclined to continue them, or to expand coverage before the transition period comes into effect.

Second, this type of application of the transitional safeguard measures would incur an irrational situation whereby it would apply only to importing countries with restrictions and not to countries with a free textile market, even if imports disrupt the markets of both.

In particular, an importing country with a liberalized market could not implement effective measures against import diversion from other countries which have restrictions.

5. Application of the transitional safeguard measures

The transitional safeguard measures should be regarded as emergency action to be taken only when absolutely necessary during the process of the phasing out of the MFA, and so they should have selective application like the MFA.

Others

In our proposal we also addressed other issues such as time span, strengthened GATT rules and disciplines, and the modality for the phasing out of restrictions not consistent with GATT.

I hope my statement will contribute to encouraging our negotiating group to reach a commonly acceptable draft framework agreement, which will enable us to move on towards the liberalization of the textile trade.