

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

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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 ITCB, AT THE MEETING OF
THE NEGOTIATING GROUP ON TEXTILES AND CLOTHING
ON 12 JUNE 1990

The participants would recall that this Negotiating Group had approved in April a work programme for our meeting. According to this programme, we have to initiate discussions in this meeting on a draft framework agreement. We are committed to finalize a framework for the TNC meeting in July. To facilitate this task, I am presenting, on behalf of the members of the ITCB, a framework for phasing out MFA restrictions, contained in document MTN.GNG/NG4/W/49.

The basic premise of this framework is that we start the transition phase with the situation existing immediately before the expiry of MFA IV. The restrictions in existence at that point of time will be carried forward until they are phased out in accordance with a well defined programme. Although the restrictions will be continued, we do not see the need for the continuation of the bilateral agreements which must cease to have any effect on expiry of MFA IV. It is our experience that the bilateral arrangements have been used to erode the disciplines in multilateral instruments. We would like to ensure that the multilaterally agreed framework is implemented under multilateral supervision. This is the underlying concept which runs through our proposal.

In the previous meeting of the NGTC, some participants described their perceptions of what they called "the textile universe" for the transitional arrangement. It seems that they are thinking in terms of enlarging the product coverage for this period. Our view is that the product coverage of the transition period should be the same as in the original MFA. We have tried to identify these products in terms of the Harmonized Code. We do not find any logic in bringing non-MFA products into the coverage of the transitional arrangement and then returning them to GATT at the end of the transition. After all, the non-MFA products are covered by GATT today, then why bring them in at all?

We have proposed the immediate elimination of certain types of restrictions at the beginning of the phase-out process. These pertain to aggregate and group ceilings, OPT quotas, restrictions on new fibres, handloom products, participants with de minimis shares, least-developed countries and some others. Some of these restrictions have been proposed also for immediate elimination in other proposals tabled in this Group. It may be noted that some of the importing countries do not apply one or more of these restrictions in their present systems.

Our proposal provides for phase out of MFA restrictions in four stages following the degree of processing approach. We start with tops and yarns, and fabrics in the first two stages. These are the most capital intensive segments, in which the domestic industries supply the bulk of consumption in the importing countries. We propose to close the process by phasing out restrictions on clothing products in the last stage. We have suggested a duration of two years each for the first two stages which will provide a longer period for the domestic clothing industry to prepare itself to face open competition.

It will be seen that in our scheme the field of the application of GATT rules is progressively enlarged as more and more products are liberalized from selective restrictions and returned to the GATT. At the end of the process, GATT will take over the entire textile and clothing sector. This is the essence of the proposal.

While the restrictions continue, pending their removal in the phase-out programme, the base levels of the quotas should grow annually. Growth rates would contribute to progressive liberalization. They will also enable the domestic industry to adjust gradually to the phase out by providing more competition. The element of growth rates is common to almost all the proposals submitted in the NGTC. We have provided for the growth rates to be brought up to the minimum level of 6 per cent, in the first year, as in the MFA. Thereafter there will be progressive increases. We notice that the notion of progressive increases has been included in the proposals of the Nordic countries and the United States. Similarly, we have also provided for progressive increases in flexibility.

Our proposal on safeguards has two facets. For the products which have been returned to the GATT, there is a simple enabling provision in Article 6 for the application of Article XIX on MFN basis, if the need arises. This is consistent with our approach of gradual integration of the textile sector into GATT. The only stipulation we have made is to provide for a pause for the trade to find its normal level after the phase out because of the prolonged period of restricted trade flows. It will also guard against the immediate substitution of the MFA measures by Article XIX actions.

The other facet is relevant for those products which are awaiting phase out and return to the GATT. We have recognised, in deference to the wishes of the restraining countries, that occasions may arise during the interim period necessitating safeguard action on imports from a particular source in respect of those products. We believe that the criterion for

this type of action should be higher than that of serious damage in the MFA. We have, therefore, adopted the criterion of "serious injury". We would also like restraining countries to justify the need and propriety of these selective actions before the monitoring body. We do not want the continuation of discrimination against the developing countries. We want an equitable treatment in the application of safeguard measures for all supplying countries. Hence, we have eliminated the price factor in the consideration of serious injury because this factor was widely used to discriminate against the developing countries.

We are proposing in Article 8 that certain rights of the importing countries be circumscribed. We recognise that anti-dumping and countervailing measures under the General Agreement are designed to deal with unfair trade practices. But, we have also seen that these measures have often been invoked to cause harassment of legitimate trade. Paragraph 1 of this Article is meant to prevent double jeopardy. Paragraph 2 is intended to avoid circumvention of the phase out. We do not wish to see the current bilateral restrictions being replaced after phase out by other bilateral measures which are permissible under the General Agreement. Paragraph 3 is generally on the lines of a similar provision in the current MFA protocol.

We have designed the monitoring body to an effective mechanism. It should be capable of exercising close multilateral supervision over the implementation of the Agreement. Its constitution should be such as to permit it to function in an objective manner.

There is already a consensus in this Negotiating Group that the transition period should begin on 1 August 1991, after the expiry of MFA IV. We wish to see this period terminated on 31 December 1997. We feel that these dates would permit the adoption of calendar years for implementing the phase-out programme.

Finally, if you would permit me, I would like to repeat what I had said recently at the ITCB Council in Hong Kong. We have dealt in this framework with only one aspect of the negotiating mandate - the phase out of the MFA restrictions. This does not mean that we are ignoring the remaining aspects of the mandate, nor does it mean that we have no intention to deal with them. It is merely because the discussions on these elements have not progressed yet to a stage which would have permitted us to make suitable provisions in the draft. However, I wish to assure our negotiating partners that as and when specific proposals are received, we will be prepared to consider them and if possible take them on board as additions to the draft.

This proposal has been endorsed by the Informal Group of Developing Countries which has decided to co-sponsor it. It takes into account several concerns of the importing countries expressed in the past meetings of this Group. It also contains points of convergence from other proposals. We are prepared to negotiate the contents of our proposal in order to evolve a draft framework agreement for the July TNC.

If the participants so wish, this statement could be circulated as an NGTC document so that our proposal is better understood.