

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

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

COMMUNICATION FROM PAKISTAN

The following document has been submitted by the delegation of Pakistan for circulation to the members of the Negotiating Group on Textiles and Clothing.

With the new year, the Negotiating Group on Textiles and Clothing has entered a new phase. There is now a wealth of material, sufficient to enable the participants to push ahead with the task of negotiations. The GATT study on "Textiles and Clothing in the World Economy" has been updated. The report of the Textiles Surveillance Body (TSB) on the working of MFA IV is available. The developing countries have made contributions on the evolution of the state of the textiles and clothing industries in the restraining (importing) countries. As decided by the GNG on 28 January last year, and later agreed by the Group on 11 December, the next stage is to focus on the examination of techniques and modalities for achieving the objectives of the Ministerial Declaration on the basis of proposals by participants.

The Ministers have already approved the final goal which is to integrate the textiles sector into the GATT by the end of the Uruguay Round negotiations. The mandate of the Group is to negotiate modalities which would permit such integration and contribute to further liberalization of trade.

Immediately after the adoption of Punta del Este Declaration, the representative of Pakistan expressed his understanding that the modalities to be formulated for the liberalization of trade in this sector would be pursued independently and would not be contingent on agreement on other subjects (MIN(86)/SR/7). This understanding was not disputed by any contracting party.

The Negotiating Objective speaks of eventual integration of textiles and clothing sector into the GATT "on the basis of strengthened GATT rules and disciplines, thereby also contributing to the objective of further liberalization of trade". There is an important element here: the purpose is not to replace the present derogatory restrictive régime by another one.

which may be consistent with the GATT. The aim is not to seek integration of the textiles and clothing sector into the GATT for the sake of integration; the objective is to integrate for liberalization of trade. Indeed, integration and liberalization cannot be viewed as mutually exclusive. These are complementary concepts: one reinforcing the other. In fact, it is liberalization of trade which is the very *raison d'être* of the Uruguay Round.

The entire exercise of the New Round is designed to deal with the strengthening of the framework for the conduct of international trade in all products. It is in response to a universal concern about a steady deterioration of GATT disciplines and the proliferation of trade measures outside the GATT. That is why attention has been focused on sectors such as agriculture and textiles: to integrate them into the framework of the GATT. At the same time, efforts are under way to strengthen the GATT rules and disciplines. Many negotiating groups are engaged in this process - like the group on the Functioning of the GATT System, the Group on GATT Articles, the Group on Safeguards, the Group on Subsidies, the Group on Dispute Settlement, etc. We hope that the process of negotiations in these groups will make it possible to bring about a desired level of strengthening of the GATT rules and disciplines. The results of the negotiations in these groups will be equally applicable to sectors of trade which are currently governed by the GATT, as well as to those, like textiles and agriculture, which are outside.

In addition, if these rules are adequate for the sectors of trade within the GATT, there is no reason why these should not be satisfactory for the textiles trade as well. It is for this reason that the general view of GATT as being a "moving target" in the context of the Negotiating Group on Textiles and Clothing is inappropriate and misplaced. Simply put, that concept is a mere euphemism for tying up negotiations on this vital sector with progress on other subjects. It would, in effect, be tantamount to removing textiles from the Negotiating Round.

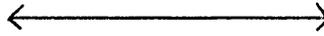
In view of the long history of MFA and MFA-type restrictions applicable in the area of textiles and clothing, the modalities to integrate this sector into the GATT should be both effective and operational. In addition, it is necessary to design these modalities in such a way as to facilitate a phased, orderly (i) elimination of restrictions and (ii) transition to the GATT system while, at the same time, taking into account the process of the strengthening of GATT rules and disciplines.

Keeping all the foregoing considerations in view, a framework of modalities for achievement of the negotiating objectives in this area could be considered as follows:

FRAMEWORK OF MODALITIES TO INTEGRATE
THE TEXTILES SECTOR INTO THE GATT

MOTIVATION

Integration
into GATT



Liberalization
of Trade



PHASE I

1. Elimination of discrimination in the application of MFA restrictions by removing the criteria of "low prices" for invocation of market disruption.
2. Elimination of MFA import restrictions on non-apparel textile products.

PHASE II

Restrictions on apparel products may be applied only in terms of criteria for actual market disruption in accordance with the provisions of Article 3 of MFA.

PHASE III

During this phase, restrictions on apparel products may be applied only with the approval of the TSB if existence of actual market disruption is established.

PHASE IV

By the end of this phase, restrictions on apparel products should be eliminated.

ELEMENTS



MODALITIES

The specific elements/measures in the above framework are explained below:

- (i) The erosion of the basic GATT principle of "non-discrimination" is particularly pronounced in the area of textiles and clothing. One of the main elements responsible for this erosion is the concept of "low prices" as a factor contributing to market disruption.

The concept of "low price" has ceased to be relevant. With the violent fluctuations in exchange rates, the price element is liable to serious distortions. Moreover, in many instances, it has been misused and restraints have been introduced on products priced higher than those of the domestic industry in importing countries. It should also not be overlooked that after all a "lower price" is the very basis of international trade.

The elimination of this element as a first step can be the most important step toward the achievement of the objective of the integration of the sector into the GATT.

- (ii) As a second step in phase I, restrictions on non-apparel textile products should be removed.

The world trade in this segment has continued to be dominated by the domestic industries in the developed importing countries or by imports from other developed countries. The recent developments in technology have reinforced their competitive advantage.

The textile producing industries of many developing countries are based on indigenous raw materials and are an important source of foreign exchange earnings, and consequently of their import capacity. The restrictions hinder not only the development of the manufacturing sector but often spill over into the agricultural area with significant repercussions on employment and investment.

- (iii) In the second phase, restrictions on apparel products should be applied only in situations of actual or threatened market disruption causing serious damage to domestic producers in terms of the provisions of Article 3 of the MFA.

The provision of comprehensive bilateral agreements should become inoperative because there is an increasing evidence of the arbitrary character of comprehensive restrictions under bilateral arrangements. Various devices are being employed like aggregate and group ceilings, basket exits, etc. These devices prevent the development and diversification of trade in this area. Therefore, there is need for more discipline in their application. It can only be provided by relating restraints to the criteria of actual or threatened market disruption causing serious damage to domestic producers.

- (iv) In a third phase, any restrictions on apparel products should be applied only if a positive determination is made by the TSB as to the existence or threat of market disruption causing serious damage to domestic producers. Each perceived case of market disruption causing damage to domestic producers should be referred to the TSB for such determination.
- (v) By the end of a fourth phase, all MFA-type restrictions on clothing should also be eliminated to allow for a complete integration of the textiles and clothing sector into the GATT.

While the phased programme outlined in the above section will have completed the integration of textiles and clothing into the GATT by eliminating the MFA restrictions (which is the main task before this Negotiating Group on Textiles and Clothing), another important aspect affecting trade in this sector shall also need to be pursued in earnest to bring about a sustained liberalization of trade. This important aspect relates to the existence of a generally higher level of tariffs on textiles and clothing relative to the general level of tariffs on manufactured products. It is felt that substantial reductions in high tariffs on textiles and clothing should be negotiated in the context of the work in the Negotiating Group on Tariffs.

These ideas are intended to promote structured discussions in the Group. Such discussions are essential in view of the mid-term review of the progress of negotiations in the Uruguay Round sometime later this year. This review at a high level will be expected to reinforce the political will of the participants to carry forward the process of negotiations and to adopt concrete results wherever possible. It would be desirable to adopt some measures in the textile sector as a reflection of the determination of the participants to achieve the objectives set out in the Punta del Este Declaration.