

**MULTILATERAL TRADE  
NEGOTIATIONS  
THE URUGUAY ROUND**

RESTRICTED

MTN.GNG/NG4/W/18

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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 21 JULY, 1988

I must emphasize that from now onward we should focus our deliberations fully on the substantive work to be accomplished by the end of this year. This is imperative because the Negotiating Group on Textiles and Clothing (NGTC) must complete the examination of modalities and establish the framework for negotiations of modalities for the integration of textile sector into GATT at the earliest. This would enable the Trade Negotiations Committee (TNC) meeting at Ministerial level in Montreal, in December, this year to impart further political impetus to the negotiations in this most crucial area in the Uruguay Round. Commensurate with the objectives of these negotiations the members of ITCB had proposed four mutually reinforcing elements which should constitute the basis for the formulation of modalities for the elimination of the selective and discriminatory régime for trade in textile and clothing on a date to be agreed in the Uruguay Round. This is the framework within which negotiations should be conducted.

We are concerned that certain postures have been struck that display, not only a lukewarm attitude to these negotiations but also reveal attempts to stray beyond the Negotiating Objective. We are disappointed that so far none of the developed countries have put forward any credible or concrete modality for the achievement of the Negotiating Objective. Their generalized statements only tend to stall the negotiating process.

We are however encouraged by the positive response from the Australian delegation at the last meeting. We also appreciate the measures taken by Australia for autonomous liberalization of their trade régime for textiles. We fully agree that closer attention has to be focused on possible means of getting the textile sector back to the GATT.

We have taken note of the comments made by various delegations on our proposal. I therefore take this opportunity to elaborate the ITCB proposal.

A. Reversal of Restrictive Measures under the MFA.

Contrary to GATT rules and disciplines, selective and discriminatory restrictions have been imposed, for over a quarter of a century, on developing countries' exports of textiles and clothing. Therefore, in order to realize the objective of the integration of the textile sector into GATT the first priority is to freeze further restrictions forthwith. This freeze is different from the standstill commitment of the Ministerial Declaration on the Uruguay Round. It is necessary to put a stop to the introduction of new MFA restraints so that phase-out process is not nullified.

Para 25 of the Protocol of Extension 1986 contains the principle of phase-out of product coverage. The proposal by Pakistan (MTN.GNG/NG4/W/10) has suggested priority for phase-out of non-apparel textiles. The product coverage could begin to be reduced inter alia for wool tops, yarns and fabrics, made up articles and children's garments.

Relaxation of restrictions should be an important aspect of the integration. This could be brought about in a concrete fashion by (a) mandatory growth rate of not less than 6% with no exceptions and (b) escalating increases in growth rates and flexibility so that the restrictive nature of the quotas is eliminated after a certain time. The quantum of escalation will be subject matter of negotiations.

Within this general relaxation of restrictions the restraints can be eliminated by abolishing (i) quotas on products for which domestic production has been increasing, (ii) quotas for small suppliers, least developed countries and wool and cotton based developing exporting countries and (iii) quotas based on outward processing traffic (OPT).

In this regard for these two processes a shorter time span could be provided for small suppliers, new entrants, least developed countries, wool and cotton based suppliers.

B. Elimination of concepts and practices under the MFA incompatible with the General Agreement such as discrimination based on price and other selective criteria, real risk of market disruption, the use of exceptional circumstances, etc. A major modality for integration into GATT should be, elimination of concepts and practices under the MFA incompatible with the

General Agreement. To this end there should be: (i) abolition of Price criteria; (ii) elimination of the use of exceptional circumstances, including MVP. (iii) exclusion of basket extractor and consultation levels. (iv) elimination of aggregate and group limits; (v) elimination of market disruption.

These are features of the present system which are clearly incompatible with the General Agreement. GATT provides for safeguards when there is injury to the domestic producers. There is no provision for aggregate limits, basket extractor, exceptional circumstances or price criterion in the GATT system but these are practised under the MFA and bilateral agreements concluded under it. Any process of integration will have to take into account these features leading to their elimination.

C. Effective application of GATT principle of differential and more favourable treatment, in terms of Part IV and the Enabling Clause, to trade in textiles. The discriminatory and selective restriction imposed under the MFA turns on its head the principle of differential and more favourable treatment as envisaged in Part IV of the General Agreement and the Enabling Clause. The effective application of Part IV and the Enabling Clause would therefore be an essential aspect of the integration.

D. Termination of the Arrangement Regarding International Trade in Textiles and the bilateral agreements based thereon.

The ITCB proposal envisages that the process of liberalization and integration of the textile sector into GATT will have to be phased in and at the same time the MFA has to be phased out. The elements A and B will be crucial in this process. The date for the termination of the discriminatory and exceptional treatment given to this sector will also have to be agreed upon in the Uruguay Round.

We have noted the generalized comments in the statement by the Nordic countries. The Nordic statement does not contain any definite modality. I therefore wish to recall that the Scandinavian Draft Plan submitted to GATT in November 1960 (GATT document Spec (60) 357) proposed phasing-out of restrictions through progressively higher growth rates. That is the kind of modality that could lead to integration of textile sector into GATT. Instead the Nordic countries have proposed a study of the implications and possible consequences of achieving the objective of integration of the textile sector into GATT, as if the ministers while setting out this objective at Punta del Este were not aware of the implications of their decision and it is for the NGTC or the GATT Secretariat to give the ministers at least some idea of what the consequences of their decision could be". This is certainly not what the ministers would expect from the NGTC two years after Punta del Este.

A new study on the consequences of dismantling the MFA could be either quantitative or qualitative. In the case of a quantitative study the main question concerns its feasibility. Such a study, implying an econometric model, would require many detailed assumptions on factors other than imports restricted under the MFA such as macroeconomic conditions, exchange rates, consumption, consumer and producer prices, profits, investment, imports from non restricted sources, exports, etc. of textiles and clothing. The feasibility of a quantitative study is therefore questionable. As for a new qualitative study, the essential point to be raised concerns its necessity. A large

number of studies and reports by international organizations, national administrations, research institutes and scholars have been published already on the costs, benefits and effects of the MFA as well as on the consequences of its dismantling. These arrive at similar broad conclusions in qualitative terms. The members of the ITCB therefore wish to provide to the NGTC a "Note on Consequences of Dismantling the MFA" which pulls together the main conclusions emerging from available investigations and documentation on this subject.

I should request this statement along with the above mentioned note be circulated as official documents.