

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

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

COMMUNICATION FROM INDIA

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

INTEGRATION OF THE TEXTILES AND CLOTHING SECTOR
INTO GATT - MODALITIES FOR

Introduction

The preamble to the Punta del Este Declaration expresses the determination of the CONTRACTING PARTIES to:

- halt and reverse protectionism and to remove distortions to trade;
- preserve the basic principles and further the objectives of the GATT; and
- develop a more open, viable and durable multilateral trading system.

Perhaps, in no sector of trade other than that of textiles and clothing is there a greater need for the fulfilment of the above objectives. For nearly thirty years now, trade in this sector has been conducted under arrangements that have transgressed the basic principles and rules of GATT in letter and in spirit. Protectionism in textiles and clothing has progressively increased both in intensity and coverage. Starting with cotton, restrictions have spread to all other fibres - natural, man-made and synthetic. While Part IV of GATT and the Enabling Clause embody the philosophy of differential and more favourable treatment to developing countries, these very countries in this sector have been denied even the non-discriminatory treatment that is the corner-stone of GATT. Furthermore, trade distortion in textiles and clothing has been consciously created and built into a multilaterally agreed derogation of GATT principles and rules. Unless the textiles and clothing sector is

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integrated into the GATT without further loss of time, credibility of the GATT system as a whole will be in jeopardy, particularly at the present juncture when GATT rules and disciplines are sought to be strengthened and new areas added for coverage under multilateral rules and disciplines during negotiations in the Uruguay Round.

2. It is also necessary to see the importance of this sector in a wider perspective. The capacity of the developing countries to liberalize their import restrictions depends crucially on their capacity to export. Foreign borrowings, foreign equity investment or foreign aid cannot by themselves be sufficient to finance the imports of developing countries over the longer run. If developing countries are to sustain increasing imports on an enduring basis without running serious balance-of-payments problems, it is imperative that they are enabled to increase their exports, especially their manufactured exports, in a significant and sustained manner. This requires for developing countries, on the other hand, increased access to advanced technology and investment resources on reasonable terms, and, on the other, unrestricted access to the markets of the industrialized countries for their exports, especially their manufactured exports. Thus the significance of removing all restrictions on the exports of developing countries in the textiles and clothing sector goes far beyond the issue of treatment of this sector in GATT; in fact it is essential for the very success of the Uruguay Round negotiations, as no balanced outcome in the Round can be contemplated without the integration of this sector into GATT.

The Mandate

3. The mandate of the Punta del Este Ministerial Declaration in the area of textiles and clothing is unambiguous, namely that the negotiations "shall aim to formulate modalities that would permit the eventual integration of this sector into GATT on the basis of strengthened GATT rules and disciplines, thereby also contributing to the objective of further liberalization of trade". In the Mid-term Review, the Trade Negotiations Committee has stressed the need for reaching an agreement within the timeframe of the Uruguay Round on modalities for the integration of this sector into GATT and such modalities covering a phasing out of the restrictions under the Multi-fibre Arrangement (MFA), the time span for such a process of integration, and the progressive character of this process which should commence following the conclusion of the negotiations in 1990.

4. The task of the Negotiating Group on Textiles and Clothing should therefore be to concentrate on the integration process by:

- phase-out of the MFA restrictions;
- determining the time span for the phase-out;
- elaborating the progressive character of the phase-out; and
- deciding on the date of commencement of the phase-out.

Specific Proposals

5. Against this background the following proposals are submitted for the integration of the textiles and clothing sector into GATT.

Freeze on any New Restrictions

6. It is but logical that the first basic step of the integration process must be a freeze on any new restrictions. Such a freeze would create the necessary climate for the success of the negotiations. At Punta del Este the CONTRACTING PARTIES have undertaken "standstill and rollback" commitments. In terms of the standstill commitment, the participants are already enjoined not to introduce any measures which may be inconsistent with the provisions of the General Agreement or the instruments negotiated within the framework of GATT or under its auspices. However, what is needed now is to go beyond the standstill commitment by the participants eschewing any new restrictions. Such a freeze would imply an embargo on calls for consultations under the bilateral agreements as also on the invocation of Article 3 of the MFA. India proposes that the freeze commitment be undertaken with effect from 1 January 1990.

Termination of MFA

7. There shall be no renewal of the MFA after the current Protocol of Extension expires on 31 July 1991. With the expiry of the MFA, all the bilateral agreements under the MFA shall also cease to have effect and restrictions in force on that date will be eliminated in the following manner.

Transitional Arrangement

8. The MFA will expire on 31 July 1991 and the transitional phase will begin on 1 August 1991. A multilateral instrument will be negotiated to govern the conduct of trade policy for this sector during the transitional period.

9. The transitional arrangement shall provide for the elimination of the following types of restrictions with effect from 1 August 1991:

- exports from least-developed countries;
- products made from new fibres introduced in the 1986 Extension Protocol;
- handlooms and handicrafts products;
- outward processing trade including trade under TS USA 807/807 A;
- aggregate and/or group ceilings as well as sub-divisions of quotas among member States of a Customs Union; and
- quotas or categories in which utilization has been less than 50 per cent in the most recent representative period.

10. The remaining quotas shall be phased out in a period of five years, that is to say, by 31 July 1996, at the rate of 20 per cent of the total number of quotas in each importing country being eliminated every year. The specific quotas to be eliminated every year by each importing country will be decided multilaterally, on the basis of clearly established and multilaterally approved criteria. The specific quotas to be eliminated every year will not be settled bilaterally.

11. During the phase-out period, products under restraint will be provided growth rates with the following progressivity:

<u>Year</u>	<u>Percentage</u>
1	15
2	20
3	25
4	30
5	35

Flexibility in the operation of quota levels during the transitional period will be:

Carry over	20%
Carry forward	15%
Swing	20%

Surveillance Mechanism

12. The transitional arrangement, embodied in a multilateral instrument, will be supervised by a Surveillance Body specifically set up in the GATT for that purpose.

Bilateral Agreements

13. Bilateral agreements, if any, between participants shall deal exclusively with the administrative aspects of the implementation of the transitional arrangement.

Safeguard Provisions

14. In respect of product categories not under restraint at the time of the introduction of the phase out or those that have been phased out during the transitional period, sudden import increases causing injury to like products in the domestic market of the importing countries will be dealt with under the normal safeguard provisions of the GATT that may be negotiated during the Uruguay Round.

15. India is of the view that the above mentioned proposals for the integration of the textiles and clothing sector into GATT are in accordance with the mandate and, in addition, meet the requirements of simplicity and progressivity which have been voiced by many participants during the course of the negotiations.