STATEMENT INTRODUCING PROPOSAL BY THE UNITED STATES BEFORE THE GATT TEXTILES COMMITTEE

In the two months which have elapsed since our last meeting, we have had the opportunity to review carefully all of the statements made and proposals put forward at that time. We have also carried out detailed discussions with many MFA participants in their home capitals, in Washington and in Geneva.

We have used these discussions to present our point of view, to listen to the points of view of others, and to refine our own thinking in the process. We have, as you requested in your closing remarks last July, Mr. Chairman, indeed given "highest priority to continuing (the) consultations" which had been initiated in Geneva, it being recognized I believe by all of us that we are all, if you will, "behind schedule" in these negotiations.

We have, at the same time, also continued consultations with representatives of interested industry and labor groups in the United States as well as members of the U.S. Congress and their staffs.

It will come as no surprise to you, Mr. Chairman, or to my colleagues on this Committee, that these domestic and international consultations have revealed a wide range of views as to the effectiveness of the current MFA in enabling participants to meet their objectives in trade in textiles, as well as to what should be done in the way of modifying or extending the Arrangement.
Despite these differences of interest and views, however, we have been able to come to a clear perception as to what the United States Government would wish to see in the way of MFA III.

In several previous meetings of this Committee we have made the following three general points:

(1) We do not consider the MFA to be a perfect instrument but we do believe it has worked reasonably well, and we believe a continuation of that instrument offers the best approach available for the governments concerned to continue to manage trade in textiles and apparel in a reasonable manner.

(2) We have particular problems stemming from the large quotas of heavily impacted products held by major suppliers of those products (problems we have referred to under the general rubric of complex market disruption). We are also concerned with the growth in instances of fraudulent circumvention of bilateral agreements and with the wide range of non-MFA barriers to trade in textiles which are currently maintained by some MFA participants.

(3) We would be willing to explore whether these problems and concerns could be handled within the framework of the MFA as extended by the protocol.
Today, Mr. Chairman, we are prepared to be much more specific. Our discussions did indeed lead us to conclude that our needs can be accommodated under an MFA which does not refer to reasonable departures but does have interpretive language in a protocol. We are prepared today to propose such language.

I do not mean to imply, Mr. Chairman, that other participants have already agreed to our position, or even that all other participants would at first blush necessarily agree on what we propose. But we have concluded that a protocol which recognizes the seriousness of the current situation, and reaffirms the commitment of the countries concerned to deal with this situation, offers the best opportunity for all of us to meet the MFA's basic objectives, even though in this process none of us will probably achieve everything we would like.

The basic situation as we see it, Mr. Chairman, is that the next few years will be difficult ones indeed for world trade in textiles. All of the conditions which led to conclusion of the original MFA are still with us, and the situation is further aggravated by basic and persistent economic problems affecting the economic growth and employment patterns of most developed countries.
In the case of the United States, Mr. Chairman, we foresee very low rates of growth in domestic consumption of most textile products over the foreseeable future. This means, Mr. Chairman, that in the United States we are going to have to pay particular attention to the rate of growth of imports to domestic market growth, particularly in product areas which are already heavily impacted. We are also going to have to insist that, consistent with participants' rights and obligations under the GATT, the commitment to reduce trade barriers and liberalize trade in textiles applies to both developed and developing countries. A recognition of these two points is essential to strengthening the MFA as a framework for governing international trade in textiles over the next few years and for creating a climate conducive to a world-wide increase in textile and apparel consumption.

We now have instances of severe market disruption in certain products in the United States. In the case of major suppliers of these products, we will not be able to offer the same rates of growth and flexibility as in the past. We do also assert, however, that we would continue in the future, as we have in the past, to agree to at least Annex B levels for those suppliers not contributing to complex market disruption.
So where does this leave us, Mr. Chairman? We believe it leaves us with an MFA interpreted to meet this situation. The MFA clearly provides in paragraphs 2, 3 and 5 of Annex B for lower rates of growth and flexibility in exceptional cases and circumstances. The MFA also provides for the orderly growth in trade in textiles. Therefore we are not seeking reductions or negative growth rates from any of our trading partners. We believe, however, all participants should be aware of the implications and ramifications of any actions such as reductions or negative growth rates on other participants in this Arrangement, including the United States.

The MFA in Article 6 and elsewhere makes clear the concept that more favorable treatment should be accorded new entrants and small suppliers. We believe this is a particularly important element of the MFA. We have already gone to considerable lengths to follow this precept in the past with regard to both growth and flexibility and we will make every effort to do so in the future. The degree of our ability to meet these goals with respect to certain sensitive products will depend, however, on our ability to deal successfully with imports from larger suppliers of the same products.
We also have concerns about fraud and circumvention, and the piracy of design. The provisions of Articles 8, 9 and 11 provide procedures for addressing these issues. But these issues must be dealt with more effectively in the future than in the past if we are to have a workable MFA. Therefore, we are also proposing additional language to that effect.

In summary, Mr. Chairman, the United States Delegation believes that:

(1) An extension of the MFA in some form is obviously the clear preference for the maintenance of orderly trade in textiles.

(2) Such an MFA must make provisions for the kinds of problems and concerns I have just outlined to this body.

(3) The MFA as now constituted does provide such provisions if the participants agree to so interpret them.
Therefore, Mr. Chairman, we propose that the MFA be extended for five years by a protocol of extension which we have asked to be distributed to all delegations. This protocol incorporates several of the paragraphs of the present protocol, including the paragraphs on special problems of developing countries and on countries seeking to maintain minimum viable production. New paragraphs have been added that are designed to meet the problems I have just described. I will not take the time of the Committee to read the text of our proposed protocol, but members of my delegation and I are available to discuss it in detail during the rest of the week.
UNITED STATES PROPOSAL FOR A PROTOCOL EXTENDING THE ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

THE PARTIES to the Arrangement Regarding International Trade in Textiles (hereinafter referred to as "the Arrangement").

ACTING pursuant to paragraph 5 of Article 10 of the Arrangement, and

REAFFIRMING that the terms of the Arrangement regarding the competence of the Textiles Committee and the Textiles Surveillance Body are maintained, and

CONFIRMING the understandings set forth in the Conclusions of the Textiles Committee adopted on ______ 1981, a copy of which is attached herewith,

HEREBY AGREE as follows:

1. The period of validity of the Arrangement, set out in Article 16, shall be extended for a period of five years until 31 December 1986.

2. This Protocol shall be deposited with the Director-General to the CONTRACTING PARTIES to the GATT. It shall be open for acceptance, by signature or otherwise, by the parties to the Arrangement, by other governments accepting or acceding to the Arrangement pursuant to the provisions of Article 13 thereof and by the European Economic Community.
3. This Protocol shall enter into force on 1 January 1982 for the countries which have accepted it by that date. It shall enter into force for a country which accepts it on a later date as of the date of such acceptance.

Done at Geneva this _____ day of ________ one thousand nine hundred and _________ in a single copy in the English, French and Spanish languages, each text being authentic.

CONCLUSIONS OF THE TEXTILES COMMITTEE
ADOPTED ON _____ ____________ 1981

1. The participants in the Arrangement exchanged views regarding the future of the Multifiber Arrangement (MFA).

2. Members of the Textiles Committee recognized that there continued to be a tendency for an unsatisfactory situation to exist in world trade in textile products, and that such a situation, if not satisfactorily dealt with, could work to the detriment of countries participating in international trade in textile products, whether as importers or exporters or both.
3. Some participating countries, importing as well as exporting, felt that there was a need for modifications to be made to the text of the MFA. Others were of the opinion that any difficulties that may have arisen were due to problems of implementation and that the provisions of the MFA are adequate to deal with such difficulties. It was agreed that any serious problems of textile trade should be resolved through consultations and negotiations.

4. In this respect, the participating countries:

(a) drew special attention to two emerging factors which have begun, and are expected to continue, to affect trade in textiles; a decline in the rate of growth of per capita consumption in most importing countries; and the growing impact of very large quotas and market shares for imports of sensitive products from a few sources or even a single source.

(b) recognized that there were circumstances in which the existence of these factors can have a bearing on the rate at which a particular market can accommodate imports while still avoiding serious market disruption.

(c) agreed that the factors noted in subparagraph A of this paragraph should be given special attention, along with all relevant elements of Annex A, in determining
the existence of "exceptional cases" or "exceptional circumstances" as set forth in paras 2, 3, and 5 of Annex B.

(d) agreed that in those instances in which these factors are instrumental in concluding that exceptional cases/circumstances do prevail with regard to certain large quotas and market shares, in addition to the lower but positive growth rates as provided for in paragraph 2 and 3 of Annex B, lower positive percentages than the minimums indicated in paragraph 5 of Annex B for swing may be decided upon after consultation with the exporting participant or participants concerned. In addition, there may be carryover or carryforward if agreed after consultation with the exporting participant or participants concerned.
5. The committee recognized that countries having small markets, an exceptionally high level of imports and a correspondingly low level of domestic production are particularly exposed to the trade problems mentioned in the preceding paragraphs, and that their problems should be resolved in a spirit of equity and flexibility. In the case of those countries, the provisions of Article 1, paragraph 2, should be fully implemented.

6. In recent years a number of participants have encountered problems concerning the circumvention of agreements. It was agreed that further steps should be taken by both importing and exporting countries to improve the implementation of agreements and thereby facilitate closer cooperation in this area. Further it was agreed that the appropriate administrative action referred to in Article 8, paragraph 2, should include, where evidence is developed to satisfactorily demonstrate the true country of origin, retroactive adjustment of charges to existing quotas to reflect the correct country of origin. The timing of such adjustments should be worked out in close consultation with all countries involved.
7. The Committee reaffirmed that the two organs of the Arrangement, the Textiles Committee and the Textiles Surveillance Body, should continue to function effectively in their respective areas of competence.

8. Participating countries reaffirmed this commitment to achieve the expansion of trade, the reduction of barriers to such trade, and the progressive liberalization of world trade in textile products. The Committee, moreover, reaffirmed that, consistent with participants' rights and obligations under the GATT, the commitment to reduce trade barriers and liberalize trade in textiles applies to both developed and developing participants and in particular to those participants with highly competitive textile industries.

9. It was reiterated that in the future implementation of the MFA, the special problems of developing countries shall be fully taken into account in a manner consistent with the provisions of the MFA, in particular Article 1, paragraph 3, and 6 thereof.
10. All participants saw mutual cooperation as the foundation of the Arrangement and as the basis for dealing with problems in a way which would promote the objectives and aims of the MFA. Participants emphasized that the primary aims of the MFA are to ensure the expansion of trade in textile products particularly for the developing countries, and progressively to achieve the reduction of trade barriers and the liberalization of world trade in textile products while, at the same time, avoiding disruptive effects on individual markets and on individual lines of production in both importing and exporting countries. In this context, it was felt that in order to ensure the proper functioning of the MFA, all participants would refrain from taking measures on textiles covered by the MFA outside the provisions therein before exhausting all the relief measures provided in the MFA.

11. Taking into account the evolutionary and cyclical nature of trade in textiles and the importance to both importing and exporting countries of prior resolution of problems in a constructive and equitable manner for the interest of all concerned, and on the basis of the elements mentioned in paragraphs 1 through 10 above, the Textiles Committee considered that the articles and annexes of the MFA with this interpretive protocol should be extended for a period of five years subject to confirmation by signature as from December 1981 of a protocol for this purpose.