TEXTILES

Communication from a Number of Delegations

The following communication is being circulated at the request of Argentina, Bangladesh, Brazil, Chile, Colombia, Egypt, El Salvador, Ghana, Guatemala, India, Indonesia, Jamaica, Korea (Republic of), Malaysia, Mexico, Nigeria, Pakistan, Peru, Philippines, Romania, Singapore, Thailand, Trinidad and Tobago, United Kingdom (on behalf of Hong Kong), Uruguay.

1. Production of textiles and clothing is the largest industrial employer in the developing world. It is a sector of essential importance to the economic future of developing countries, accounting for 32 per cent of their exports of manufactures and semi-manufactures. Textiles are exported both by developed and developing countries; however, 30 developing countries have been subjected to restraint agreements in developed country markets, while exports of the developed countries receive the benefits of unrestricted access. As a consequence, while world exports of textiles and clothing exceed US$100 billion, exporters of developing countries have been restrained to one quarter of such trade.

2. Consequently, it is estimated that the liberalization of textiles trade would open greater possibilities for the increased participation of developing countries in the international economy. Exports of textiles and clothing could substantially contribute to offsetting the developing countries' aggregate trade deficit - which in 1980 amounted to $66 billion for those not major petroleum exporters.

3. International trade in textiles has been subjected to a separate restrictive regime within GATT for over 20 years, directed only against developing countries. This regime has continually increased its product and country coverage and its discriminatory character. The current situation in trade relations in the textiles sector presents the largest single threat to the credibility of the GATT system.

4. In brief, the basic principles of GATT are:

   (a) non-discrimination (e.g. unconditional most-favoured-nation treatment, in Articles I, XIII and XIX);

   (b) free competition in international trade, based on the theory of comparative advantage, limited only by tariff rates bound against increase and subject to negotiations aimed at further liberalization (e.g. Articles II, XI, XXVIII:bis);

   (c) more favourable treatment for developing countries (Part IV, in particular Article XXXVII).

   (d) acceptance of multilateral disciplines in bilateral trade relations.
5. In contrast, regimes applied in the textiles and clothing sector involve:

(a) discrimination against specific suppliers;

(b) such discrimination has taken the form of quantitative restrictions of an increasingly restrictive nature covering more products and a larger number of developing countries;

(c) the discriminatory restrictions have been directed against developing countries individually and collectively, while competing imports from developed countries have entered free of restrictions;

(d) the disciplines of the MFA have been increasingly disregarded.

6. This situation in the textiles and clothing trade, given its implications for the whole GATT system, should no longer be left to sectoral treatment, but considered by Ministers against the perspective of the future of the trading system. Developing countries propose that the following language be inserted in the Ministerial document:

- For inclusion in Part I:

"Ministers have noted with deep concern that one of the areas of critical importance to developing countries in international trade, trade in textiles and clothing, continues to be treated under an arrangement which represents a serious derogation from the General Agreement.

"Ministers resolve that urgent and effective steps be taken by all contracting parties to achieve, on a priority basis, liberalization in the international trade in textiles leading, in the shortest possible time, to the full application of the General Agreement to the sector of textiles.

"Ministers also resolve that, in the interim, the parties to the MFA strictly adhere to the rules of the MFA and that restraints on textiles should only be applied under the MFA."

- For inclusion in Part II:

(a) "In order to evaluate fully the strategic importance of textiles and clothing exports to the trade prospects of developing countries, the CONTRACTING PARTIES shall undertake an in-depth examination of (i) the past and present impact of the regime of restraints and quantitative restrictions on the performance of those exports; (ii) the consequences for economic development and trade prospects that result from the present regime; and (iii) the economic development and trade prospects that would be offered to the developing countries by the phasing out of the present restrictive regime and the full application of the General Agreement.

(b) "In order to facilitate and expedite the transition from the present regime applying to international trade in textiles to the full application of GATT provisions, an examination be undertaken on a priority basis, of modalities for the phasing out of restrictions leading to the achievement of that objective."