STATEMENT BY THE REPRESENTATIVE OF THE UNITED KINGDOM
ON BEHALF OF HONG KONG, MR. W. DORWARD, AT THE MEETING
OF 5 JUNE 1973

The question has been raised in this forum, with considerable force and justification, as to whether there is any case at all for a special arrangement to be devised to provide a framework of controls for world trade in textiles. In strictly economic terms my delegation feels that, for the most part, the answer to that question is in the negative. Mr. Jurich said yesterday that textile trade problems are essentially socio-economic with related political overtones. But in our experience the reverse is more often the case.

In Hong Kong we do not merely believe in free trade; we practice it. And with an economy almost entirely dependent on export of manufactures, half of which are textiles, we are understandably opposed to any arrangements which will curb our ability to expand our exports. We have learned, however, as have others represented in this room, that domestic political pressures in some of our main markets can result in irresistible forces being brought to bear upon us. It is, therefore, with great reluctance that we feel obliged to say that in our view the choice lies between acceptance of some multilateral agreement or a deterioration of the international textile trading system; in other words a choice between the rule of law or a kind of anarchy. Having experienced the consequences of anarchy, and having respect for the principles of the GATT as it relates to all aspects of international trade, my delegation must come down in favour of the rule of law.

In saying this, however, I must stress that we do not advocate an arrangement which could become, as the Long-Term Arrangement was once described, a charter for restraint. The division of interest in this problem is, on the whole, between the relatively rich and the relatively poor. If the consequence of the situation is to be some inhibition placed on the trading opportunities of the relatively poor, then I suggest that not only must some discipline be introduced, but also some price must be paid by the demanadeurs.
As regards discipline, the EEC spokesman has suggested that some form of international supervision or control of a new arrangement might be effective. My delegation is not opposed to the concept of a court of appeal, but we cannot avoid some doubts regarding the disciplinary (as opposed to the moral) force of such a system. I recall that yesterday Mr. Jurich spoke approvingly of the provisions of Article 3 of the Long-Term Arrangement which recognized, and I quote, "the right of a sovereign country to take appropriate action in cases involving disruption". I assume he referred to the unilateral right that Article gives in the determination of disruption.

In our view this is unsatisfactory in its fundamental breach of the GATT, but it must be acknowledged that the question of justification for restraints is so complex that it does not lend itself easily to a formula approach. The definition of market disruption in Annex C to the Cotton Textiles Arrangement has already been criticized in this Group as inadequate and outdated and interesting proposals have been made today. To this I would add a further criticism. It is too often not respected.

The fundamental weakness in the existing machinery is that it provides no real disincentive to its invocation. In the last analysis a resort to the provisions of the GATT itself could result in an aggrieved exporter being authorized to retaliate. But frankly for most developing countries this is a fairly meaningless weapon. The imbalance of economic power is such that we are impotent to retaliate; and the demandeurs are well aware of it. My delegation cannot readily envisage international supervision materially altering that situation. Especially as there might be reluctance on the part of some of the "supervisors" to cast the first stone, if you will accept the biblical allusion. I cannot, at this stage, offer suggestions as to what form of disincentive might be built in. But I commend it to this Working Party's attention as a subject for further consideration.

Continuing on a hypothesis that the rule of law, in the form of a multilateral arrangement, is the preferable and probably the only alternative to an anarchic situation, I would like to offer some observations and suggestions on key aspects of the problem.

First there is the very real and difficult problem of the newcomers, a problem which has been much exacerbated by the comprehensive approach to restrictions adopted in some major markets; but it would exist to a lesser degree even if such restrictions were, as they obviously should be, selective and justified in accordance with economic criteria.
The Hong Kong delegation recognizes the problem and feels that, in any arrangement reached, adequate provision should be made for newcomers. It seems to us logical and equitable, however, that such provisions should not become a matter of robbing Peter to pay Paul. That is to say, the relatively poor who already have their export opportunities curtailed should not have them further curtailed to enable the relatively rich importing countries to satisfy the reasonable expectations of other relatively poor countries newly come on the scene. The solution must somehow lie in the expansion of the import market, not its redistribution among restricted suppliers.

This is, of course, a problem which does not only arise with countries new to the export of textiles. There is a whole spectrum of similar problems caused by the fact that some already quite advanced in the production and export of textiles are called upon to restrict areas of trade where they have scarcely begun to develop. This is the result of confusing equity of treatment with equality; not the same thing at all. It is again most apparent where a comprehensive, as opposed to a selective approach to restraints is being followed; and it underlines again, I suggest, the need for an effective deterrent to unwarranted restrictions, to avoid what might be described as "least favoured nations" treatment.

Still on the hypothesis that there should be a rule of law, I suggest that it must be tougher than Article 2 of the Long-Term Arrangement which was scorned by some developed countries who blantly continued to impose import restrictions at derisory limits for many years; and then, in some cases, took those same derisory limits as a basis for calculating so-called "voluntary restraint" limits when the circumstances of their external relations changed. If a multilateral arrangement comes into being, then in all logic and equity those restrictions in force must be tested against its criteria and dealt with accordingly.

I made this remark in direct relation to the terms of Article 2 of the Long-Term Arrangement because of the unilateral and arbitrary nature of the restrictions to which it refers. But by extension the same testing process should, within a reasonable time, be applied to all existing "voluntary restraint" agreements on textiles as well, whether concluded under cover of the Long-Term Arrangement or not; assuming, of course, these agreements have a significant period to run. Despite the contractual nature of such restraints, I suggest that a subsequent multilateral arrangement different in substance to the machinery which existed when the bilateral agreements were reached would constitute a de facto acknowledgement of a new situation. I cannot agree with the United States contention that this problem is more susceptible to bilateral solutions through bilateral negotiations. I suggest the applicability of new rules to existing restraints, unilateral or bilateral, should be made specific and mandatory.
Mr. Jurich has made reference to other problems which have been identified but which he felt fell to be dealt with more appropriately in bilateral negotiations. The United States statement yesterday claimed, rightly, that many of the major criticisms we have heard have been directed more at the administration of the Long-Term Arrangement provisions rather than the provisions themselves. I agree that we need to settle broad issues first, if possible, and then get down to the fine print; but as a matter of principle I suggest that the less left to the generosity of the demandeurs the better. Minimum positions have got to be written into any agreement for the defense and protection of those whose export opportunities are at risk. I include in this group of subjects flexibility provisions and categorization. I suggest that the phrase from Article XIX of the GATT which refers to "serious injury to domestic producers of like or directly competitive products" is worth bearing in mind in these and several other aspects of the problem.

I am sorry to go on at length examining the United States statement of yesterday, but I think it was an attempt to get down firmly to practical considerations and as such merits close scrutiny.

I was struck by a certain inconsistency which seemed to come through on the matter of proposed coverage. At one stage Mr. Jurich talked of the failure of the Long-Term Arrangement to foresee technological change in industry and resultant change in consumer preference in textiles. He went on to acknowledge that the cotton textile and man-made fibre textile industries are, by and large, the same industry and, by implication, to suggest that the same protection that cotton textile producers enjoyed was due to producers of the "like or directly competitive products" where these are of man-made fibre.

A few minutes later, however, I find the United States statement proposes "a simple amendment of the Long-Term Arrangement to cover textiles of the three major fibres".

I have no difficulty in accepting that if some special consideration is due to cotton textiles, as recognized eleven years ago in the Long-Term Arrangement, then logically that consideration should be extended to subsequently developed cotton substitutes. I am curious, however, as to where the third major fibre comes in. Perhaps, however, I have misunderstood and Mr. Jurich was merely distinguishing between synthetic and artificial cotton substitutes; in which case my difficulty disappears.
At the risk of being repetitive let me again stress that Hong Kong does not advocate machinery to facilitate restraints on world trade in textiles. We are, however, deeply concerned at the damage which has been done and will most likely be done again if a situation of anarchy or disrespect for existing machinery continues. For this reason we reluctantly indicate our support for a multilateral arrangement, if such there must be, provided it contains meaningful safeguards and deterrents to protect the interests of those who stand to be restricted. A "simple" extension of the coverage of the LTS is, I suggest, too simple. Let us as Mr. Ernst said, not discard what we have. Let us take the Long-Term Arrangement as a starting point, by all means, but let us not overlook the years of experience we have of its working. If it is to be extended in coverage and in time a price should be paid by those who seek it; and that price should be in the form of improvements for those against whom it will be invoked.