ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Notification under Article 11:4

Restraints under Indonesia/United States Agreement

Note by the Chairman

The attached notification from Indonesia under Article 11:4 concerns the introduction of restraints on eight categories under the terms of the bilateral agreement between Indonesia and the United States.

Mr. Chairman,

I have the honour, upon instructions from my Government, to bring to your kind attention the unilateral resolution adopted by the United States Government has adopted in respect of Indonesian exports of textile products of ten categories, namely categories 315, 317, 319, 320, 331, 339, 341, 604, 639 and 640 of the United States nomenclature.

Upon the invitation of the United States Government, bilateral consultations have been conducted during three meetings held since early this year, namely in Washington, D.C., on February 13-17, in Jakarta on May 30 - June 1, and again in Washington, D.C., a solution was found and agreement reached on categories 319 and 341, but on the other eight categories the consultations did not yield the result hoped for.

Article 12 of the bilateral agreement between the United States and the Republic of Indonesia provides that the United States may request consultations on textile imports that "are, due to market disruption or threat thereof, threatening to impede the orderly development of trade between the two countries ..... with a view of easing or avoiding such market disruption". The bilateral agreement also requires the United States to provide "the Government of Indonesia at the time of the request with available data such as factors cited in Annex A of the (Multi Fibre) Arrangement which are indicated of the market situation and in the opinion of the Government of the USA show: (1) The existence of market disruption, or the threat thereof, and (2) the role of exports from Indonesia in that disruption".

The data presented by the United States Government does not, in the view of the Indonesian Government, adequately prove the existence of such disruption, or threat thereof, and the role of exports from Indonesia in that disruption.

The Honourable
Ambassador Marcelo Raffaelli
Chairman of the Textiles Surveillance Body
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The Government of Indonesia considers the unilateral restraints adopted by the United States Government to be inconsistent with the Multi Fibre Arrangement, particularly articles 1, 3, 4, 5 and 6 thereof, with the Protocol extending the Arrangement, particularly paragraphs 2, 7, 8 and 12 thereof, and with the bilateral agreement between the United States and the Republic of Indonesia, particularly paragraphs 12 and 13 thereof.

In view of the fact that despite the extended period of consultations no agreement could be reached on most of the affected products and in the meantime serious difficulties have been encountered in our trade in those products, the Indonesian Government has decided, on the basis of article 11.4 of the Arrangement Regarding International Trade in Textiles, to bring the matter to the attention of the Textiles Surveillance Body and to request that the matter be considered by the Body at its meeting scheduled for October 24-26, 1984.

The Indonesian Government will send a representative to the meeting and will submit a detailed explanation of its position. In the interim the Mission will supply the Body with further documentation on the matter.

Sincerely yours,

rawan Darsa
Ambassador
Dear Mr. Raffaeli,

Referring to my letter no. 1467/EK-354/84 dated 14 September 1984, I have the honour to convey the following information based on the relevant economic variables of the U.S. textile industry which goes to show that there has been no market disruption, as alleged in the U.S. statement, as regards the affected categories (categories 315, 317, 320, 331, 339, 604, 639 and 640 of the United States nomenclature).

(a) **Employment in Weaving Mills**

Employment in this industry is showing a recovery since early 1983. Total employment in April, 1984 was up 0.5% from April 1983. Production worker employment, however, recorded a higher increase, namely by 2.2% in the same period. Production worker aggregate hours have increased by 2.0%. An 8.3% increase in overtime per employee also illustrates the healthy state of this industry.

(b) **Category 315 and category 320 (Cotton Printcloth Fabric)**

1. The restraints on Categories 315 and 320pt should be considered together as they are both printcloth.

2. U.S. production in 1983 was 16% over that of 1982. The 1983 production was also up 31% over the production level in 1980. The 1981 production figure is not available. The increase in U.S. production has continued into 1984. The increase in imports in the first quarter of 1984, compared to the first quarter of 1983, was 10%.

3. The I/P Ratio in 1983 was 24.3. This is down from the 1982 level of 29.3. Printcloth exports during the first quarter of 1984 has an I/P of 45.9. This compares to an I/P of 23.8 for the same period in 1983. However, the increased imports from Indonesia accounted for only a very small share of the increase in total imports.

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4. It would seem that the U.S. production data does not include certain types of printcloth such as cheesecloth, whereas the U.S. import data does include such products. The I/P ratios are therefore overstated. This would also affect the U.S. price comparisons.

5. Imports from Indonesia are priced in the same range as imports from other suppliers to the United States market and only slightly lower than U.S. manufactures prices in Category 320pt. The Indonesian price is cited in the Market Statement at 35 cents per yard, the U.S. producer price is 37 cents per yard. In the Thailand Market Statement dated 7/83, Indonesia was not listed; however, the U.S. price was quoted at 36 cents. The other prices cited in this market statement were: PRC at 31 cents, Taiwan at 25 cents and Korea at 32 cents.

(c) Category 339 (Cotton knit shirts and blouses for women, girls and infants)

1. The preliminary U.S. production data of 8,324,357 dozen for 1983 is 13% over 1982. This is the highest level of U.S. production since 1977. The preliminary 1983 I/P ratio of 89% is at its lowest level since 1977.

2. The Indonesian Market Statement identifies Sri Lanka as a substitute for Indonesia.

3. There are significant discrepancies in the price data given in the Sri Lanka Market Statement dated 4/84 and in the Indonesian market statement dated 5/84. The U.S. price of each of the three listed TSUSA's dropped more than $10.00 from April to May.

(d) Category 639 (Mand-made fibre knit shirts and blouses for women, girls and infants)

1. The preliminary 1983 U.S. production data was 24,348,888 dozen. This is the highest since 1979, a little more than 8% above the 1982 level.

2. The I/P figure is reported at 75.6% for 1983. This is higher than the I/P of 67.7% in 1982. However, this was due to an expansion of the market as a whole resulting in the increase of both imports and production.

3. The increase in imports from Indonesia cited in the Market Statement accounts for only a very small portion compared with the increase of imports as a whole. The major portion of the increase came from quota countries, such as Taiwan, Korea, Hong Kong, Singapore, Thailand and China. All of these countries have a higher share of the U.S. import market compared to Indonesia.
(e) Category 606 (Man-made fibre spin yarn)

1. Even though there is very little data available concerning this category, it can be safely stated that the U.S. market could not be disturbed by imports from Indonesia.

2. The I/P ratio is only 4.2% and Indonesia's share of the import market was only 5.8% through June 1984.

3. Indonesia's present market share, based upon the U.S. 1983 production figure, was only 0.4% in this product.

4. Italy and Canada both have a greater share of the U.S. import market than Indonesia but imports from the two countries still remain.

Finally, I appreciate if this information could be transmitted to the Textiles Surveillance Body members for their attention and consideration.

Thanking you, I remain

Sincerely yours,

Irawan Darsa
Ambassador