COMMUNICATION FROM THE UNITED STATES

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

GENERAL INTRODUCTION:

In a statement distributed to this Group on September 21, 1989, the U.S. delegation reaffirmed the objectives sought by the United States in these negotiations and drew attention to three areas of our work which we believe should be given priority attention. Today, we would like to elaborate on, and make additional specific proposals with respect to, those areas.

As a preface to these proposals, we believe it important to re-state once again the U.S. objectives in negotiations pertaining to textiles and clothing in the Uruguay Round.

Our goal is to help bring about through these negotiations the eventual integration of textiles and clothing into GATT on the basis of strengthened GATT rules and disciplines. We are committed to assuring that this process contributes to further liberalization of trade.

This, in our view, will require procedures that: (1) ensure that all relevant trade measures affecting trade in textiles and clothing are integrated; (2) ensure that GATT rules and disciplines have been sufficiently strengthened to make integration viable; and (3) provide for a process that will insure an orderly transition from measures being applied following the end of the Uruguay Round to those which will be applicable when this sector is fully integrated into GATT.

The U.S. delegation also believes that, since these issues are interconnected, we will have to devise some mode of parallel discussions, rather than trying to resolve them ad seriatem. The following proposals are, thus, made in that context.
SCOPE OF THE INTEGRATION PROCESS:

While we recognize that the MFA and the restraints maintained pursuant to it constitute the largest single body of NTM's currently maintained outside the normal GATT rules and disciplines, these are not the only measures which are not presently integrated into GATT, i.e., subject to the disciplines as well as to the rules of the GATT.

In our September 21 statement to this group we outlined six categories of measures which we believe need to be addressed in this context. Discussions since then indicate general agreement with respect to some categories and lack of agreement, so far at least, with respect to others. Further discussion may be needed in order for us to reach a consensus on how to define those measures which are to be covered by the integration process (and eventually integrated into GATT). In the meantime, however, we would make the following specific proposal. We propose that all participants agree that:

(1) any integration process adopted during the Uruguay Round will encompass all measures affecting trade in textile and clothing which have not at that time been integrated into GATT; and

(2) at the end of any integration process adopted during the Uruguay Round, no CONTRACTING PARTY will undertake or maintain any measures affecting trade in textiles or clothing which have not been justified pursuant to a provision or provisions of the General Agreement, or an instrument negotiated thereunder, and notified to the appropriate GATT body or bodies in accordance with the applicable procedures.

STRENGTHENED GATT RULES AND DISCIPLINES

We assume that all participants accept that "strengthened GATT rules and disciplines" are an integral part of the negotiating mandate for this Group. The question before us is how best to incorporate the discussion of relevant aspects of work on various GATT rules and disciplines, most of which is going on in other negotiating groups, into the negotiating process in this Group.

Rather than attempting to reach consensus on some specific formula in this respect, we would propose that over the next few months we simply accept that those who have points to make with respect to this aspect of our work will introduce them as part of our on-going negotiations as they deem necessary or appropriate. At the same time, those who wish to proceed to more specific discussion of the integration process itself can initiate such discussions straight away.
We make this proposal because, while strengthened GATT rules and disciplines are for us an essential and integral part of the negotiating process for this group, we also recognize that articulating and seeking specific goals in that respect will, inescapably, depend to some extent on the pace and outcome of work in other groups. This group, however, has its own mandate and its own set of dynamics and we are convinced that we can all push the work forward in this context.

We will be making our views known in due course with respect to each of the items cited in our September 21 statement, as well as those put forth by the European Communities in their communication last July (W/26). We have, as other participants are aware, made a number of specific proposals with respect to strengthening the multilateral trading system — i.e., GATT rules and disciplines — and will wish to refer to these in more detail later. In the meantime, we are prepared to enter into active discussions on the integration process itself.

NATURE OF THE INTEGRATION PROCESS

As we have indicated in previous meetings of this group, we believe that the successful integration of this sector into GATT will require a transition arrangement of sufficient duration to ensure an orderly and equitable adjustment in trade terms, as well as in terms of the domestic processes of each participant.

As has been indicated by other participants, as well as ourselves, there would appear to be three basic ways in which such a transition arrangement could be formulated:

(1) on the basis of existing systems of restraints, of which the MFA provides the only multilaterally agreed derogation from the GATT

(2) by converting existing restraints, both MFA and other types, into another form, e.g., a multilaterally agreed system, tariff rate quotas or "global-type" quotas

(3) by agreeing that different participants could use different systems according to a multilaterally agreed set of rules.

A number of proposals have already been made with respect to what we would describe as an MFA-based transition arrangement, and we understand that further proposals may be forthcoming soon. We may, ourselves, make proposals in this respect at a later date.
In the meantime, we would like to propose that this body seriously examine two alternatives to an MFA-based approach: transformation of all restraints to either: (1) a system of global type quotas or (2) a system of global-type tariff rate quotas, perhaps allocated by country. We will be making explicit and more detailed proposals on these alternatives prior to our next meeting and will be fully prepared to elaborate on these concepts in greater detail at that and subsequent sessions, with a goal to reaching agreement within the group on a preferred approach as early as possible next spring. We will, of course, also be prepared to discuss any other proposals by any other participants.

In making these proposals, we will be putting forth some alternative sets of procedures by which the United States would envision integrating all of our current, and any future, textile restraints into GATT, and we invite all other participants to join us in this endeavor. Specifically, we ask the other members of this Group to provide their specific plans for integrating all, not just MFA, but all restraints, into the GATT.

Our assessment so far of the two alternatives to an MFA based approach that we have cited today shows, as one would expect, certain advantages and disadvantages when compared to each other or to an MFA-based arrangement. On balance, we believe either of these two alternatives to an MFA-based system could offer more pluses than minuses for all concerned. In our evaluation process, we have taken account of the criteria set out in the Canadian submission of last year, as well as those set forth in submissions by Pakistan, and India and by Indonesia on behalf of the members of the ITCB. We have given particular attention to the following:

A) Promotion of a multilaterally agreed set of procedures along the most simple lines that a realistic transition could accommodate.

B) Equity and universality: The textile industries of exporting and importing countries alike have developed over the past few decades under the MFA and its predecessors. Therefore, adjustments to the economies of all Contracting Parties will be necessary, and all parties should participate in a transition regime and eventual GATT-based trade rules. Countries which do not now use the MFA system for regulation of textile imports would be expected to gradually liberalize existing restrictions in parallel with the dismantling of MFA barriers to imports in countries which do use Articles 3 and 4 of the MFA to regulate trade.
C) Gradual transition to GATT rules: The difference between MFA and GATT trade rules indicate that a gradual transition will be necessary to allow Contracting Parties' industries to adjust to the new regime. Any transition arrangement adopted would, thus, have to be of sufficient duration to enable such an adjustment process to take place.

D) Transparency: All restraint measures taken should be notified and reviewed by an appropriate Surveillance Body. All Contracting Parties must be seen to be moving toward GATT trade rules in order to ensure that the process continues to its intended conclusion.

E) Reliance Upon Market Forces: Any transition mechanism should allow market forces to begin to determine trade patterns as early as possible in the transition period.

Our application of the various criteria cited above indicate that high among the advantages of the two alternatives we are proposing for discussion would be greater transparency and certainty to governments and to business enterprises in both "importing" and "exporting" countries. Either of these alternatives could, in our opinion, be structured so as to provide for multilaterally agreed criteria which would obviate the need for the many and, sometimes contentious, bilateral negotiations characteristic of an MFA-based approach. The structures we have in mind would also open a progressively increasing share of imports to open competition, thereby increasing the play of market forces and rewarding producers which are most competitive in global markets.

Whether each participant will have to adopt exactly the same process or to put it another way, whether different participants could adopt different techniques or modalities, as suggested by the Swiss and others, is a topic which merits careful examination. We would anticipate more detailed discussion of this approach later in the negotiating process.

CONCLUSION

In conclusion, Mr. Chairman, we wish to stress that we are committed to substantive negotiations in this group. We have made several specific proposals in this respect, and we believe that these proposals should help us reach our common goal of agreeing on a process which will not only permit, but insure, the eventual integration of textiles and clothing into GATT.

In saying this, Mr. Chairman, we do also want to stress once again, however, that integration means more to us than simply talking about the MFA. It means devising a process which will
at the end of the day ensure that all trade measures undertaken in the area of textiles and clothing will be taken only in full conformity with GATT rules and disciplines. We are convinced that some key GATT rules and disciplines will need to be strengthened in order for integration to be viable. We do not want to see a process that removes one major derogation only to permit (or to spawn) a whole range of gray area measures.

We do not yet have a firm position on the best way to do that. We know that we want all trade measures addressed. We know that we will need a transition regime that is long enough to permit not only our industry, but those of other countries, including developing countries, to adjust to life under the GATT.

The nature of such a transition regime will of course be crucial. As noted above, we are looking very hard at several possibilities, including regimes based on a more simple, global approach to governing trade during the transition. We will be providing details on these proposals prior to our next meeting, and we look forward to the reaction of other participants to them.