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.

Introduction

In a statement circulated to this negotiating group last December (MTN/NG4/W/33), the United States delegation expressed views on possible modalities which would permit the eventual integration of the textile and clothing sector into the GATT on the basis of strengthened rules and disciplines. We indicated in that statement that we would be making more detailed proposals on alternative modalities at this time, and that we would be prepared to elaborate on the concepts suggested in W/33 in greater detail.

The United States delegation reaffirmed in December and will do so again that our objectives in these negotiations is to help bring about through negotiation the eventual integration of textiles and clothing into GATT on the basis of strengthened GATT rules and disciplines and to ensuring that this process contributes to the further liberalization of trade.

We would also like to reaffirm that the process requires procedures that ensure that all relevant trade measures affecting trade in textiles and clothing are integrated and that GATT rules and disciplines have been sufficiently strengthened to make integration viable.

Duration of Integration Process

As we stated in December, 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 production processes of each participant. We believe a transition mechanism, similar to those outlined below, of at least ten years duration would be appropriate to accomplish these objectives. In other words, assuming sufficiently strengthened GATT rules and disciplines exist, we propose that the transition mechanism start on January 1, 1992 and that the special safeguard arrangement for the textile and clothing sector end on December 31, 2001.
Criteria for the Integration Process

As we stated in December, it is important that any transition mechanism be evaluated by this group according to certain criteria. For the United States, it is important that the transition mechanism be simple, equitable, transparent, predictable and certain; that the mechanism allow trade patterns to be driven by market forces as early as possible and to the maximum extent possible, and that it allow an adjustment to GATT rules concomitant with the operation of market forces.

As we indicated in December, we believe that certain modalities for a transition mechanism offer certain concrete advantages to a mechanism based on the Multifiber Arrangement when evaluated according to these criteria. We believe a multilaterally agreed global, or non-selective, quota system or a tariff rate quota system, as elaborated below, offer substantial advantages for the transition to GATT; most significantly, the gradual opening of markets to competitive forces, transparency, equity and certainty. These alternatives also offer the progressive movement from selectivity to most-favored-nation (MFN) treatment for supplying countries.

We reiterate that the Swiss suggestion of the possibility that different participants could adopt different techniques or modalities is something which should be carefully studied.

Global-Type Quota System

The global, or non-selective, quota system that we envision is outlined by illustration in the attached graphics. We foresee a comprehensive quantitative limit, by product category, which would be divided among country allocations or guarantees (covering trade from those countries with whom we have bilateral agreements), and a non-selective "global basket" that would expand to provide growth. In the first year, the global basket would be increased by a certain uplift (or growth) factor, and would be open for competition from all parties, including those with country allocations. In addition, countries would be able to contribute their guarantees to the basket or to other countries.

Each year, over a ten-year timeframe, the country allocations would shrink by one-tenth of the original amount, and the global basket would increase by a growth factor and by adding to it the ten percent taken from each of the country allocations. The growth factor during the ten year transition would be determined through multilateral negotiation, but would vary depending on the import sensitivity of the product involved and would increase over time.
As illustrated, the global basket would gradually take over the country shares of the quota, and in the final year of the transition, the overall quota would be in place only in the form of the global basket. The transition system would end, under this scenario, at the end of the tenth year of the transition.

The product category coverage of a global-type quota system would be determined by individual participants; however, we intend that product classification under a transition mechanism be a contribution to liberalization of trade. For the United States, this would mean consolidating our existing product categories so as to allow more flexibility for exporters and possibly the removal of certain products from coverage during the transition.

Tariff Rate Quota System

As suggested in W/33, tariff rate quotas offer an additional modality for integration of this sector into the GATT. We envision a tariff rate quota system with a structure and duration similar to the global or non-selective quota system outlined above. The attached graphic illustrations therefore also show the structure of a tariff rate quota system, which would feature a two-tier tariff system with country allocations and a global basket for the lower tier (with lower tariffs), shifting over time toward the global basket. Imports within the quantitative limits of the lower tier would enter at applicable duty rates. However, additional imports above and beyond these quantitative limits would be permitted at substantially higher penalty tariff rates.

We would offer one important caveat to the proposal for a tariff rate quota system, and that is the establishment of a special mechanism to ensure that exports from non-market economies are subject to equivalent tariff disciplines as those from market economies. We do not yet have definitive views on the form of this special mechanism, but believe it an essential part of any tariff-based transition modality.

MFA-Based Transition System

As discussed above, we have carefully examined the range of proposals for a MFA-based transition arrangement. We feel that we should take full advantage of this existing multilateral forum by thoroughly considering new and improved trading regimes for the transition back to GATT.
For this reason, we believe that alternatives to a MFA-type system offer many advantages and must be seriously explored. Nonetheless, we are of course prepared to continue work in this group on a system extrapolated from the MFA, as suggested by many participants.
Example 1A: Global Quotas
Category: Dresses
(Cotton and Man-made Fiber)

\[
Y = X_1 + 0.1 \Sigma X_{1-n} + G
\]

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<th>Y</th>
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<th>X_3</th>
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\[X = \text{Country Allocation (Agreement Countries)};\]
\[Y = \text{Global Basket (Non-Agreement Countries Plus Growth in First Year)};\]
\[G = \text{Growth Factor}\]
Example 1B: Global Quotas
Category: Dresses
(Cotton and Man-made Fiber)

\[
Y = \sum_{i=1}^{n} \frac{1}{2}X_i + 5G + 10G
\]

\[
Y + X + 10G
\]

\[
X = \text{Country Allocation (Agreement Countries)}; \\
Y = \text{Global Basket (Non-Agreement Countries Plus Growth in First Year)}; \\
G = \text{Growth Factor}
\]
# QUOTA COVERAGE AND GROWTH RATES

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*X = Basic Growth Rate*