COMMUNICATION FROM INDONESIA

This document is submitted by the delegation of Indonesia on behalf of the ASEAN countries of Indonesia, Malaysia, Philippines, Singapore and Thailand.

FRAMEWORK OF A TRANSITIONAL ARRANGEMENT ON TEXTILES AND CLOTHING

I. INTRODUCTION

1. The Multi-Fibre Arrangement will expire on 31 July 1991 and will not be extended. However, in view of the fact that the world trade in textiles and clothing has been in place for a long time under the régime of the MFA, it is necessary to introduce transitional measures to facilitate the smooth integration of this sector into the GATT.

II. STRUCTURE OF THE TRANSITIONAL ARRANGEMENT

2. In order to achieve this, a transitional multilateral arrangement is envisaged. On 1 August 1991 the transitional multilateral arrangement will enter into force in order to facilitate the smooth integration of the textiles and clothing sector into the GATT. All specific quantitative restrictions based on Article 3 and Article 4 of the bilateral agreements in force up to 31 July 1991 will be reinstituted as the new base levels for the first year of the multilateral transitional arrangement and shall be administered thereafter taking into account Part III and IV below. A list of all quantitative restrictions for exports to each importing country will be drawn up and annexed to the arrangement. The importing countries will be requested to notify all existing restrictions within a specified period to the Multilateral Surveillance Board specifically set up by GATT to supervise the implementation of the Transitional Arrangement. Product categorisation prevailing in the importing country at beginning of transitional arrangement may be changed only with the approval of the Multilateral Surveillance Board.

3. The administration of the above quantitative restrictions will be the responsibility of the exporting countries.

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III. IMMEDIATE ELIMINATION OF RESTRICTIONS

4. Restrictions on products outside those listed in Section XI (heading 50-63) of the International Convention on the Harmonised Commodity Description and Coding System will not be reinstituted and will not be subject to transitional safeguard measures.

5. All categories and sub-categories which were, by 31 July 1991 not under restriction from any particular source into any importing country will be eliminated from the coverage of the importing country and will not be subject to transitional safeguard measures.

6. There will be an immediate elimination of restrictions within the transitional period on products such as:

- other vegetable fibres and silk blends;
- handlooms and handicraft products;
- products which are not produced in the importing countries.

7. There shall be immediate elimination of the following types of restrictions:

(i) Aggregate and Group limits;
(ii) Restrictive elements of the Outward Processing Traffic (OPT);
(iii) Minimum Viable Production.

8. All categories and sub-categories under specific limits which represents less than X% of the total import of such categories or sub-categories in the importing countries will be removed from such specific limits. Safeguards measures may be instituted on these categories or sub-categories if the situation warrants as stipulated under Part V (TRANSITIONAL SAFEGUARD MEASURES) below.

IV. GROWTH RATE AND FLEXIBILITIES

9. A minimum growth rate of 6 per cent is to be progressively increased during the agreed transitional period. It should be given on a category basis and different growth rates may be given to different categories.

10. The flexibility should be increased as follows:

   Carryover       20%
   Carry forward   15%
   Swing           20%

All limitations on the cumulative use of flexibilities should be removed.
V. TRANSITIONAL SAFEGUARD MEASURES

11. Transitional safeguard measures on categories within the product coverage may be invoked in an emergency situation. These measures may be applied to specific sources. Invocation for general protective purposes shall be discouraged.

12. Any transitional safeguard measure could only be implemented following approval by the Multilateral Surveillance Board, specifically set up by GATT. Approval by the Multilateral Surveillance Board should be on the basis of a set of strict and objective criteria. The decisions of the Board should be binding.

13. The transitional safeguard measure could be in the form of a specific quantitative restriction of the particular category under dispute. This restriction would be added to the list of restrictive categories annexed to the arrangement. The restriction would be subject to the general rules covering growth and flexibilities agreed upon. The transitional safeguard measures should be of limited duration not exceeding 1 year.

VI. SERIOUS INJURY

14. An importing country may invoke transitional safeguard measures when the imports of a particular product from an exporting country are being imported in sharp and substantial quantities, and under such conditions as to cause or threaten serious injury to its domestic producers.

15. A determination of serious injury or threat of serious injury shall be based on positive evidence, and shall include the examination, inter alia, of the following factors:

- sharp and substantial increase in imports of particular products from particular sources;
- degree of market penetration of imports;
- actual decline in output of domestic industry, employment, profits, utilisation of capacity;
- export performance of importing country;
- decrease in market share of the importing country;
- products are offered at prices which are substantially below the prices of similar goods of comparable quality.

There may be other factors other than the sharp and substantial increase in imports, such as changes in consumer preferences, and technological conditions facing the domestic industry, which at the same time affect the state of the domestic industry, and injuries caused by these other factors shall not be attributed to increased imports. A determination of the threat of injury shall be based on facts, and not merely on allegation, conjecture or remote possibility. Serious injury must be clearly imminent and is shown to be a virtual certainty.
16. Consideration should also be given to the share of imports from the concerned source in total imports.

17. In examining the cases of "serious injury" the interest of the exporting country should also be taken into consideration, especially in regard to its stage of development, the importance of the textiles and clothing sector to the economy, the employment situation, overall balance of trade in textiles and clothing, trade balance with the importing country concerned and overall balance of payments.

VI. **TIME FRAME**

18. The above transitional arrangement should be completed by year 2000.