

WORLD TRADE ORGANIZATION

RESTRICTED

WT/GC/W/159

1 April 1999

(99-1334)

General Council

Original: English

PREPARATIONS FOR THE 1999 MINISTERIAL CONFERENCE

Textiles - Some Elements of Implementation of the ATC

Communication from Pakistan

The following communication, dated 24 March 1999, has been received from the Permanent Mission of Pakistan.

1. In an earlier submission at the first intersessional meeting of the General Council held to discuss Paragraph 9(a) issues, Pakistan had highlighted some aspects which had afflicted the implementation of Agreement on Textiles and Clothing, besides circulating among Members a discussion note on implementation of the Agreement on Textiles and Clothing. We had reiterated that the experience with the implementation of the ATC had thus far hardly given rise to any optimism regarding liberalisation of trade in textiles and clothing. The commitment in terms of achieving the objective of progressive liberalization of trade on the part of restraining countries is not visible.

2. A recent ITCB study indicates that in the first two stages of the integration the US has so far eliminated 2 quotas (though by early elimination under Article 2.15, the US has abolished another 11 quotas), EC has eliminated 14 out of a total of 219, Canada has eliminated 29 out of 295 quotas and Norway has done away with 51 out of 54 quotas (Norway has done so under Article 2.15 of the ATC).

3. The following table may be of some significance in highlighting the extent of restrained trade freed of quotas as a result of the integration programme in two major markets:

Year	EC		US	
	In volume	In value	In volume	In value
1995	4.74%	4.28%	6.23%	6.40%
1996	4.92%	4.32%	6.03%	6.14%
1997	4.77%	4.18%	6.00%	6.12%

Source: ITCB

4. The data amplifies the fact that trade in the products freed from quota is a minuscule of the total restrained imports in two major markets. It is evident that integration has been undertaken meeting the minimum legal requirement of the Agreement. It, in actual terms, has not happened.

5. Enhanced growth rates have failed to yield positive results in terms of market share. This is exemplified by high rates of quota utilization and the fact that major share is still held by domestic producers in the restraining countries. For example, EC intra community trade accounts for over 57 % of the volume of imports of textile and clothing (into EC). Likewise, in the case of the US, in major textile products (excluding clothing) the lion's share is enjoyed by US producers. This is a direct reflection of less than meaningful integration. Enhanced access subsequent to increase in quotas as a result of application of enhanced growth factors in stages 1 and 2 (i.e. 1995-2001) is 0.73% in case of EC, 1.22% for Canada and 1.03% for US.

6. Added to this minimal increase in market openings, the restraining countries have resorted to frequent use of transitional safeguards measures as opposed to the requirement in the Agreement for their application "as sparingly as possible". One Member country has, during the last four years, i.e. up to 1998, resorted to 28 transitional safeguard actions effecting \$1 billion's worth of trade. As against the stipulation in the Agreement for meaningful access opportunities for small suppliers, a number of these safeguard actions were directed against imports from these countries. Other trade measures like anti-dumping and unilateral changes in rules of origin and other administrative arrangements have also worked to enhance effective protection and impede market access of the Members carrying over MFA restrictions.

7. Another major trading block has had frequent recourse to anti-dumping measures targeting textiles products including those which had already been under quota restrictions. Some of these actions were taken in quick succession of the lapse of previous actions against the same product from the same countries. This has done nothing but to expose a clear protectionist bias. In one case, mere initiation of anti-dumping proceedings by the EC resulted in exports of target countries dropping at a yearly rate of 7% during the investigating period. Perhaps it may be useful if the General Council asks the Secretariat to undertake a case study on the damaging effect in real terms of unsuccessful anti-dumping actions during the last four years.

8. It is therefore apparent that the minimal increase in market access coupled with increased barriers to trade have thus far only served as adding salt to the injury. This has the effect of upsetting the balance of rights and obligations embodied in the ATC. These elements are a potent threat to the smooth and effective integration of the textiles and clothing sector into multilateral disciplines.

9. With this background in mind, Pakistan does not favour re-opening of the ATC. It, however, has the following suggestions to make in this proposal-driven phase of the preparatory process. We note that almost five years of implementation have elapsed. There is an urgent need for the restraining countries to undertake to implement positive measures to manifest their commitment towards liberalizing trade in this sector like:

- inclusion of at least 50% of the products under restraint, spread equally over all four groups, in the third phase of integration;
- advance integration of restrained products as provided for in Articles 2.10 and 2.15 of the ATC;
- reaffirmation as to the implementation of the ATC both in letter and spirit;

- reaffirmation that the restraining countries would refrain from frequent and repeated recourse to safeguard action/anti-dumping measures and other market restricting instruments. This is necessary to lend certainty and predictability to trade;
 - implementation of positive measures in favour of small suppliers, least developed countries, and cotton producing and exporting countries, which are provided for in various Articles of the ATC, in accordance with the provisions and objectives of the ATC;
 - to preclude the possibility of any extension of the ATC, the major textiles and clothing importing countries should adopt a planned policy of structural adjustment in the textiles sector which should be notified to the WTO.
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