



**General Council Meeting: 31 July 2002**  
**Agenda item 14: Paragraphs 4.4 and 4.5 of the Doha Implementation Decisions**

**Statement by Hong Kong, China**

I wish to thank Ambassador Supperamaniam, the CTG Chairman, for the tremendous effort and skill he has brought to bear on this question. The fact that the CTG could not come up with any recommendations is certainly not due to any shortcoming on his part, but rather to the inflexibility of the “restraining” Members.

Let me first recall the general background to this exercise, through citing relevant ministerial pronouncements :

- “We attach the utmost importance to the implementation-related issues and concerns raised by Members and are determined to find appropriate solutions to them”. (Paragraph 12 of the Doha Ministerial Declaration – WT/MIN(01)/DEC/1)
- “The Ministerial Conference [is] determined to take concrete action to address issues and concerns that have been raised by many developing-country Members regarding the implementation of some WTO Agreements and Decisions”. (3<sup>rd</sup> preambular paragraph of Decisions on Implementation-related Issues and Concerns adopted by the Ministerial Conference at Doha – WT/MIN(01)/17)
- “In addressing the outstanding implementation issues and concerns, the General Council will assess the existing difficulties, identify ways needed to resolve them, and take decisions for appropriate action”. (4<sup>th</sup> preambular paragraph of Decisions on Implementation-related Issues and Concerns adopted by the Ministerial Conference at Doha – WT/MIN(01)/17)

I would also like to recall the specific mandate given by our Ministers in paras 4.4 and 4.5 of the Doha Implementation Decisions. It consists of two parts : first, the CTG was to examine the two proposals; and secondly to make recommendations to the General Council by 31 July 2002 for appropriate action.

The “restrained” members including Hong Kong, China put forward detailed arguments in favour of the two proposals at the CTG meetings on 2 May, 13

June and 23 July, not to mention the numerous informal consultations. In our view the approval and implementation of these market-enhancing proposals would go some way towards redressing the balance of rights and obligations under the ATC, without requiring modification of the Agreement. ITCB members also submitted a 16-page document in the context of the Second Major Review which comprehensively made the case that the balance in the ATC had been impaired. I will not repeat our detailed justifications today, but would refer Members to the relevant minutes of the CTG meetings, Document G/C/W/304, as well as my statement at the CTG meeting on 23 July.

Despite the clear and unambiguous mandate given by Ministers, the Council for Trade in Goods has not been able to come up with recommendations. As I noted in one of the earlier CTG meetings, it is clear from the Doha decision that Ministers did not reject these two proposals, as they did some others. The logical inference from the wording of paras 4.4 and 4.5 of the Doha Implementation Decision and the more general context on implementation is that Ministers expected some progress to be made and some recommendations to eventuate.

The developing exporting Members have also made it clear that they are open to any other alternative means of making progress – however meagre – towards further progressive liberalization of trade in textiles and clothing. They are by no means wedded to these two proposals as the only way forward. However the response from restraining Members was uniformly and totally negative. They would not take one more step beyond the absolute minimum legally required of them under the ATC. Seen in this light, the CTG examination has sometimes seemed to be somewhat of a charade.

A variety of reasons have been advanced to us as justifying the lack of movement. It has been said that the markets of the restraining Members are already opening up very quickly and cannot bear any further acceleration of imports.

The statistics show that imports are indeed increasing, but in a highly skewed way.

Looking at the clothing sector – in which Hong Kong, China has the closest interest – US imports overall increased in value terms by 74% between 1994 and 2000. This impressive figure hides the facts that the increase for restrained suppliers was only 44% while that for unrestrained suppliers was no less than 220%. Even Canada – a commercial powerhouse but not one noted for its

natural comparative advantage in the clothing sector – recorded a 170% increase.

In terms of import shares in the US, the restrained suppliers dropped from 83% to 69% over the period, and Hong Kong, China from 12% to 7%. The unrestrained suppliers' import share increased from 17% to 31%.

A couple of points flow from these statistics.

First, the increase in imports from unrestrained suppliers is largely due to the potent combination of continued quotas, high tariffs and the very restrictive preference-qualifying local content rules incorporated in preferential schemes.

Secondly, these preferential schemes often require considerable input from US domestic industrial sources. This is another form of protectionism and creates a culture of dependence among the “beneficiaries” – who might well be able to do a lot better in an open market.

Thirdly, these trends and the ongoing protectionism they exhibit also mean that little is being done to prepare the domestic industries in restraining countries for liberalized trade in textiles and clothing. In fact their markets are being even more distorted as the end of the transitional period approaches. We hear a great deal about job losses. No one likes job losses. But it is obvious that the majority are at the instigation of US domestic manufacturers themselves, trying to make the most out of regional preferential schemes tied to US inputs. The traditionally restrained suppliers cannot be asked to bear the blame for this phenomenon.

Turning now to the European Union, the share of the restrained suppliers in the EU's imports of clothing has fallen from 47% to 43.5% between 1994 and 2000. Non-restrained suppliers have increased their share from 53% to 56.5%

What is the justification for keeping under restraint exporters who now account for much less than half, and a declining, share of imports – especially at a time when restraints have even been eliminated with respect to some non-WTO Members?

As in the US market, we should not be worse off under the ATC with its commitment to progressive liberalization than we were under the much-maligned Multi Fibre Arrangement. But that appears to be the case, undermining the legitimate expectations many exporters had that the ATC would in fact bring about an improvement in their situation.

Moving on to growth rates, it has been claimed that the ATC has resulted in such an expansion of quotas that there are in practice no longer any meaningful restraints on trade. The facts show otherwise.

For quotas that still remain in place, the average yearly growth rate pre-ATC in the US was 3.84%. This increased to 4.45% in 1995-97 and to 5.56% in 1998 – 2001. The comparable figures for the EU are 3.26%, 3.78% and 4.72%. This does not translate into significant additional access due to the operation of the ATC. Meanwhile, the number of embargoes placed on categories as a result of full utilization of quotas has been increasing.

The argument has also been put forward that restraining Members would only be prepared to increase market access on a reciprocal basis, through the lowering of the tariffs on the part of developing exporting Members.

This does not compare like with like. We cannot equate the removal of GATT-inconsistent QRs with the lowering of GATT-legal tariffs. Let us also remember that we are now engaged in negotiations in which the issue of tariffs all round can be addressed.

Furthermore, the sudden conversion of the US and EU to the cause of reciprocal market access in textiles and clothing comes at a suspiciously late time – just over 2 years before they are legally bound anyway to eliminate the QRs under the ATC. And of course Hong Kong, China would no doubt become an exception even if the principle of reciprocal market access were embraced, since our market has always been completely open.

The argument has also been put forward that agreeing to the two proposals would require a change in the ATC. This argument has been very effectively dealt with in the CTG. No change is required in the ATC, which stipulates minima but not ceilings in terms of growth rates. I believe the CTG discussion has demonstrated that changes would not be required to the ATC, but rather to the undertakings and promises given by the governments of the restraining countries to their domestic industries. This is a different matter entirely.

Mr Chairman, it all comes down to the simple fact that the restraining Members refuse to budge.

Hong Kong, China has never harboured any illusions or false expectations on this count. We are only too familiar with the extraordinary power of the textiles lobbies in the importing countries and the peculiar susceptibility of the governments concerned to their arguments. So from the word go we knew that

we ourselves would not derive any substantive benefit. Accordingly, in this specific sense, we are not disappointed.

However it seems to us that, as WTO Members, we all have to take into account more broadly that a number of developing Members have implementation concerns regarding some of the UR Agreements, including the ATC; that they joined the consensus to launch the Doha Development Agenda partly on the basis that these concerns were being addressed; and that there is no doubt that textiles and clothing is a key sector for their development.

We are accordingly concerned that the total rejection of these proposals may have a negative effect on the Doha Development Agenda and will be seen as requiring rebalancing elsewhere in the Agenda. Seen in this light, the subject of ATC implementation is of interest not only to those directly concerned with the trade but to the wider membership as a whole. Let me also recall in this context that, in its Hanoi Communique dated 23 May 2002, the ITCB Council stressed that “the engagement of developing countries in the Doha Development Agenda is predicated on full delivery of the Uruguay Round legacy, in particular the commitment to fully and faithfully integrate trade in textiles and clothing into the normal disciplines of the WTO”.

Finally, let me return to my initial point about our mandate. The fact that the CTG was not able to make any recommendation to the General Council means that the second part of the mandate has not been fulfilled. Under the circumstances , we conclude that these proposals are now back in the domain of the General Council, performing as it does the function of the Ministerial Conference in the intervals between Ministerial meetings.