

INTERNATIONAL TEXTILES AND CLOTHING BUREAU

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**Statement by Mr. Stuart Harbinson,
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I would like to thank the members of the ITCB for inviting the WTO to participate in the 41st session of the ITCB Council of Representatives. Let me add that it is a particular pleasure for me personally to be present and take part in this session, this time as a WTO official. The ITCB has a special place in my heart. My presence here today is also evidence of the deep personal attention and interest with which the Director-General, follows developments in the textiles and clothing sector. On behalf of the WTO, I would also like to pay tribute to the Government of Indonesia for its generous hosting of this body, to which Indonesia has contributed so much since its inception.

I will start by a brief summary of the main events that have taken place since the New Delhi Council in terms of the implementation of the Agreement on Textiles and Clothing (ATC). First, the Major Review of the implementation of the ATC was successfully conducted by the Council for Trade in Goods, in accordance with Article 8.11 of the ATC. As you know, several issues had been raised by ITCB members. Some were related to the implementation of the ATC

itself: for example the introduction and maintenance of certain restrictive measures by the European Communities, Turkey and the United States in disregard of ATC disciplines, or the concerns about potential reduction in market access opportunities due to denial of carry forward quotas in 2004 by restraining Members. Others were forward looking, such as the possible maintenance of administrative requirements related to the administration of quota restrictions which have disappeared with the ATC, and the concern that quotas would be replaced by other trade-remedy actions, in particular by anti-dumping actions. The outcome of the Major Review, in view of the refusal by restraining Members to consider positively the requests made by ITCB members, did not include any operative provision besides an agreement for the CTG to maintain an active oversight and continue to monitor the implementation of the ATC until 31 December 2004. So the forward-looking concerns identified by ITCB members persist as issues.

I do not want to miss this opportunity to pay tribute to the TMB, and to its former members and alternates, some of whom are present here today, for the contribution they have made to the implementation of the ATC. I believe it would be fair to say that, in view of its success in developing and in consistently applying stringent standards in reviewing dispute cases, in handling with particular care all the complex issues it had to deal with, and also in view of the quality of the comprehensive reports on the implementation of the ATC it prepared and adopted, the TMB played an instrumental role in the implementation of the ATC.

The full implementation, and, therefore, the end of the ATC marks a highly significant milestone in the development of international trade relations. The expiry of the ten year transition period has put an end to a special and discriminatory regime that has lasted for more than 40 years. Trade in textiles and clothing products has ceased to be subject to a special trade regime and is

now governed by the general rules and disciplines embodied in the multilateral trading system. This will certainly contribute to increasing trading opportunities, but is also of major systemic importance. And it has to be said that this is, in large part, due to the unabated and relentless action by the ITCB and its members. There has hardly been any Ministerial Conference of the WTO when matters relating to the implementation of the ATC have not come to the forefront as a result of that action. Also, on several occasions, different aspects of ATC implementation have been raised in various WTO fora, in particular in the General Council and in the Council for Trade in Goods by ITCB members.

The ATC was part of the broader package of the outcomes from the Uruguay Round. It represented a very delicate balance together with the other legal results from the Uruguay Round and was considered, in particular by the exporting developing Members, as one of the most important results of the last Round. The timely and full implementation of the ATC stands as one of the most positive achievements of the past ten years in the WTO. Completion of implementation has greatly strengthened the multilateral trading system from an institutional standpoint. The role of the ITCB in this achievement should be recognized.

From a broad economic point of view, the elimination of the trade-distorting quantitative restrictions which were maintained under the ATC will be beneficial for the global economy in terms of increased market access opportunities, efficiency gains and consumer welfare. Developing Members as a whole, in particular, stand to gain since they have significant comparative advantages in the sector.

There can surely be no going back. We should take care not to reinvent inadvertently a system which we have spent the last 40 years trying to get rid of, in the process delivering a mortal blow to the multilateral trading system.

That being said, the new situation created by the full implementation of the ATC, in particular by the elimination of all ATC restrictions, is a dynamic process that will require adjustment on the part of all WTO Members. One should not forget, in this regard, that the implementation of the ATC could hardly have been achieved without a process of structural adjustment both in the markets of the major importing Members and also by exporting Members. As the Director-General said in addressing the last meeting of the Textiles Monitoring Body, "without prejudice to whether the adjustment implemented so far by individual Members has been fully sufficient or not in terms of preparation for a more competitive environment, a few related comments can be offered. First, with the conclusion of the Uruguay Round and the signature of the Marrakesh Agreement, government authorities as well as producers and traders of each and every Member have been fully aware over the past ten years of the imperative need of implementing the necessary structural adjustments. Second, structural adjustment is a steady and continuous process in any sector of the economy; it cannot and will not be stopped when confronted with a deadline, such as the date of full integration of trade in textiles and clothing into GATT 1994. The need for further adjustment will continue after the expiration of the ATC and must be made by all Members involved in the trade of textile and clothing products, be they importers or exporters or both, be they big or small".

Concerns have recently been expressed by some WTO Members in this regard, in the Council for Trade in Goods, and in the context of the Sub-Committee on Least-Developed Countries. After some discussion, the Sub-Committee has agreed that the WTO Secretariat, fully respecting the basic principles and rules of the WTO, as well as the rights and obligations of the

Members, will prepare a paper that will "look into options for LDCs to improve their competitiveness in the textiles and clothing business, namely coherence programmes of IMF and the World Bank, more flexible rules of origin, technical assistance and capacity building, bilateral cooperation programmes and other means to tackle constraints affecting LDCs' exports." The paper should be ready before the usual WTO summer recess. Although the scope of the paper does not completely answer the original request made by the LDCs, the agreement reached is an important step taken by Members to respond to the concerns of the LDCs in the multilateral trading system.

In the Council for Trade in Goods, *inter alia*, a similar proposal for a Secretariat study on the impact of the termination of the ATC was made by Mauritius on behalf of some developing countries. This called for the CTG to establish a work programme to discuss, with a view to finding solutions to, the problems identified by such a study as well as those raised by Members in relation to the adjustment-related issues costs concerning the ATC phase-out. Turkey and Tunisia have each made specific follow-up proposals. There have inevitably been a range of opinions on these proposal and the new Chairman of the Council has the difficult task of carrying forward consultations.

To be fair to the ITCB, it had for years issued warnings about the lack of sufficiently progressive liberalization and adequate structural adjustment during the transitional period. These warnings fell on deaf ears, leading in some measure to the present situation.

As part of the ongoing Doha Development Round, the Non-Agricultural Market Access negotiations are directly relevant to textiles and clothing, more particularly so in view of the fact that the sector is still affected by higher than average tariffs and by tariff peaks and tariff escalation. There is emerging consensus that we must try to conclude the DDA negotiations in 2006. To fail

to do that would be to invite marginalisation of the multilateral trading system – an outcome which would particularly disadvantage the weaker developing Members who, as your own Secretariat has ably described in one of the papers before us, are all too vulnerable to bilateral pressures which may sometimes be unreasonable.

If we are to complete the DDA negotiations in 2006, we must reach an agreement on modalities for an outcome in NAMA by the time of the Hong Kong Ministerial Conference in December 2005.

There have been some encouraging developments recently, but clearly there is still much to do. The key challenge is to achieve the right combination of a meaningful level of ambition, including with respect to tariff peaks and escalation, with some necessary flexibilities.

I am sure that the discussion you will have in the coming days will contribute to a better understanding of what is at stake, preparing a successful outcome of the next Ministerial Conference and, hence, of the Doha Development Round.

Textiles and clothing will clearly remain a subject for debate in the WTO, at least in the foreseeable future. However, we should be confident that, when the dust will have settled and some time passed, it will be clear that, in this sector as well as in any other sector of trade, the benefits of liberalization will in the end outweigh the inevitable adjustment problems. I would in this regard echo the Director-General in saying that some of the concerns expressed by some exporting Members can probably be best responded to by institutions that can make appropriate means available with a view to reducing the burden of the adjustment costs or increasing competitiveness and productivity of domestic industries. In this regard, the Technical Assistance programme of the WTO is taking this into consideration by associating the World Bank, the IMF and the

ITC to its national activities in so far as they relate to textiles and clothing. Industries which can successfully adapt to the new situation can look forward to sustainable growth.

Let me finish by wishing you the best of success for this 41st Council of Representatives. I am of course personally aware of the fact that the ITCB is a coalition embracing interests which are not always identical. It has always been thus. But its strong point has been its ability to debate and analyse issues, identifying points of commonality while not denying the differences, from a unique developing country perspective, with a strong and unifying sense of commitment to the principles of the rules-based multilateral trading system and a real understanding of each other's concerns. I am sure these traits remain intact. Finally, let me congratulate you, Mr. Chairman, for your fine leadership of this august body, and the ITCB Secretariat for the continuing high standard of its work. There is no question in my mind that the ITCB has a major role still to play because, as you pointed out in your opening speech Mr. Chairman, quotas may have been phased out but protectionism has not.