

INTERNATIONAL TEXTILES AND CLOTHING BUREAU

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**KEYNOTE SPEECH BY H. E. ANDUNG A. NITIMIHARDJA
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**AT THE INAUGURAL SESSION OF
THE 41ST SESSION OF COUNCIL OF REPRESENTATIVES OF
INTERNATIONAL TEXTILES AND CLOTHING BUREAU (ITCB)**

BALI, INDONESIA, 4 APRIL 2005

**Honorable the Governor of Bali Province,
Honorable Chairman of ITCB,
Excellencies,
Distinguished Delegates and Guests,
Ladies and Gentlemen,**

**Assalamualaikum Warahmatullahi Wabarakatuh,
Salam Sejahtera Bagi Kita Semua.**

It is a great honor for us to host the 41st Session of the International Textile and Clothing Bureau (ITCB) here in the lovely island of Bali, Indonesia. Allow me at the outset to express my sincere appreciation and grateful thanks for your attendance and participation in such an important event.

Ladies and Gentlemen

It was this very week in April 1981 that Indonesia held an UNCTAD-sponsored workshop of textile exporting countries in Jakarta which gave birth to the idea for creating a programme of cooperation among developing countries, exporters of textiles and clothing. The idea culminated in the establishment of the ITCB in 1985.

Again, to refresh our memory, in May 1991, Indonesia also had the privilege of hosting the 14th session of the ITCB Council of Representatives here in Bali at the height of the Uruguay Round of multilateral trade negotiations. So we are happy that you have again travelled long distances to be with us. I sincerely hope that you would be able to find time from your busy schedule and enjoy the many scenic and cultural attractions in Indonesia.

I am happy to note that since its beginnings in those years, the ITCB evolved into full maturity and proved to be a unique endeavour aimed at promoting cooperation among developing countries. We can all take pride in this success.

Ladies and Gentlemen,

ITCB has been a unique experiment in international trade relations in general and South-South cooperation in particular. Besides symbolising the aspirations of developing countries to work together towards the realisation of a common cause, it proved itself as a competent and credible institution. We, the developing countries, can derive satisfaction to have been able to develop an effective organisation, capable of articulating our concerns and views so effectively.

I would like to pay a special tribute to the many officials from various countries for their vision and their efforts in, first, establishing a useful organisation and, then, in continuing to support its work.

Today's session is held in a new era of trading systems in textiles since we have just completed the process of dismantling quota restrictions. More importantly, this Session is the beginning of a new journey for ITCB in order to achieve the highest utmost benefits from the new global trading systems. I would like to take this opportunity to extend my highest appreciation to the ITCB for all works and contributions rendered to the interest of member countries and textiles industry as well. The subjects before us are very important and this Session will provide you with the opportunity to initiate the

next stage in the development of the trading system in textiles whose focus must be the fuller integration of the developing countries.

Ladies and Gentlemen,

For many developing countries, textiles and clothing continues to be an important sector both for earning foreign exchange and for providing employment opportunities. Access to markets has been vital in the realisation of their dream towards economic progress. For this goal to materialise, however, we would need to continue and persist in our efforts and ensure that the world trading system meets the needs of developing countries for an expanding market in textiles and clothing.

For Indonesia, there is no doubt that textiles industry has a significant role in the national economy of developing countries as one of the major foreign exchange sources while creating job opportunities for a great number of people. To be more specific, textiles industry in Indonesia has a strategic value by taking into account its full integration of fibers, staple & filament, textiles and clothing sectors and a wider interlinking with other industry sectors.

According to our statistics, textile and clothing industry has contributed 4% to the Gross National Products in 2003. Total investment amounted to US\$ 14.6 billion consisting of 2,654 units of medium and large-scale industries, apart from a large number of small-scale industries and cottage industries with manual or traditional technology. This industry provides job opportunities for the total of 1.18 million people with the national production capacity of 5,789 million tons and utilization of 72.5%. Exports of textile and clothing in 2003 amounted to US\$ 7.03 billion or constitute 11.5% of the total national exports, while imports amounted to US\$ 1.67 billion that gives a surplus of US\$ 5.36 billion.

One of the fundamental issues faced by Indonesia is how to ensure that the textiles industry can survive and take advantage of the benefits of

globalize market. Considering that Indonesia has been successfully entered the non-quota markets together with a good track record in the international market; Indonesia remains optimistic in entering the post-restrictions environment.

Bearing in mind that cotton grow is not suitable for Indonesia, to the extent possible, the government is focusing policy on promoting resources based textile industry such as rayon, ramie, silk and pineapple fibers, besides oil-based fibers.

In view of the significance of textiles and clothing for our economies, indeed also for many more developing countries outside the ITCB, it is important to maintain and enhance our coordination and cooperation. I feel that it is also important that we reach out to those not in the ITCB, so we can all work together to a better effect

Ladies and Gentlemen,

The quota restrictions are behind us, thanks mainly to our collective efforts and persistence over the years. We are all aware that the impact of this momentous event is being seen in many quarters as a mixed blessing. Yet it is important that we all rise to the challenge and the many new opportunities that a liberalised trading environment is bound to bring.

Talking of the new opportunities, I understand that you have a full agenda for your deliberations in Bali. Let me offer a few points for your reflection. First, although the quota regime is no more, we cannot assume that protectionism would have disappeared with it. We are already witnessing a gathering campaign which can turn into unexpected directions. In this context, it is essential that we remain vigilant lest new forms of protection are used in place of the one that we all have had to toil hard to get rid of. It is no secret that textiles and clothing sector has seen a significant level of anti-dumping activity, mainly affecting exports from developing countries. Experience shows that such trade remedy actions can produce extremely chilling effects on trade; even the threat of such actions can scare purchase orders away.

Indonesia has been at the receiving end of many such actions. Although some developing countries may not have experienced them, no country can be immune from their reach. It is therefore important that we examine the issues thoroughly and try to develop a strategy, such that these instruments could not be used to deprive developing countries of their opportunities and the market access that is their due.

Second, the quota regime was only a part of the problems facing developing countries' exports of textiles and clothing. Tariffs relating to these products have also remained high in major developed country markets. These are many times more than those countries' average tariffs on industrial products, and are further skewed by a pronounced phenomenon of tariff escalations. We are aware, too, that over the years the policy approach pursued by these major economies has resulted in a new situation where a number of developing economies, big and small, have come to rely on tariff preferences. And, in many cases, access to these preferences is linked to the use of importing countries' yarns and fabrics.

All in all, the situation represents a complex and uphill challenge for developing countries. We are aware that this objective reality defies easy solution. In fact, it has the potential of dividing different groups of developing countries, especially in ongoing negotiations in the Doha Round.

I am however confident that with mutual understanding and cooperation, developing countries can, and will, rise to challenge of this seemingly intractable situation. It is essential that you take the opportunity of this meeting to analyse the issue in all its dimensions and seek to develop options for a common approach. I believe, the working paper prepared by the ITCB Secretariat offers a good basis for a shared analysis – and a shared analysis is always a necessary first step to a common approach.

Third, new business practices are producing profound changes in international trading scene. Mega companies and rapid advances in communications technologies are creating a totally different environment than what our companies had been used to. Textiles and clothing are no exception

to these changes. If anything, the sector is the object of particular campaigns in this respect. Being a labour-intensive activity, the clothing sub-sector has been attracting the attention of a variety of civil and industry groups who are, in turn, generating pressures in the form ever-new demands and setting a myriad of performance requirements for enterprises in developing countries to follow. Given their small resources, they are often stretched to the limit. We need to deliberate on these issues and develop a strategy so our exporters can be assisted to cope with this new reality.

Ladies and gentlemen,

Finally, I hope very much that the ITCB comes up with a plan to keep a close watch on trends in trade and other developments relating to members' trade interests in the sector. I believe a monitoring mechanism is essential for our enterprises and others concerned to stay abreast of all related developments and to pick up any early warning signals.

During your meetings in Bali, you have a great opportunity to examine many substantive matters in detail and make use of this occasion to ensure that all our capitals are able to make the best possible choices concerning our individual as well as common problems.

Before closing, let me say a word about the value of working together. ITCB represents the collective resolve of developing countries. Together, its members have been able to make a difference. I am sure that their unity and solidarity will continue to yield even better dividends.

You have a lot of work ahead of you. I wish you a great success in your efforts. With these words, I am pleased declare open the 41st session of the ITCB Council of Representatives.

At the end I hope, despite your busy schedule, that you get a glimpse of the most interesting sights of Bali. I wish you a pleasant stay and successful meeting.

Thank you.