ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Statement by the Representative of the European Communities on 20 November 1981

1. You will recall that in my declaration to this Committee last July, I developed a number of points on the basis of the position reached by the Community at that time in regard to the renewal of the MFA. In particular, I said that we were ready to envisage a new MFA, with a duration of 5 years, that respects the objectives mentioned in the Preamble and in Article 1 of the present instrument. I explained that we had to find a remedy to a very difficult situation in the Community textile industry, which would enable us to foresee the problems and to act accordingly. In so doing, the Community would remain conscious of the particular situation of small suppliers and new entrants. Inevitably, in present market conditions, there would have to be a measure of differentiation of treatment, according to product sensitivity and supplier country. I went on to explain the importance to us of the conditions of access to the markets of exporting countries and I underlined the essential and necessary link for the Community between the multilateral and the bilateral aspects of the Arrangement. I said that we had come to the view that a generalised growth rate of 6% would not fail to provoke the conditions of market disruption which the Arrangement is designed to prevent. Finally, I mentioned the particular problems of fraudulent trade in textile products and the manner in which we expected to deal with this matter, and I recalled the economic and social objectives of the Arrangement.

2. In September, Mr. Chairman, some of these concepts were presented by the Community in the form of specific proposals covering the social purpose of the Arrangement, duration of the MFA, the problem of fraud, differential treatment and access to market. We note with satisfaction that these proposals are in considerable part covered by the draft Protocol of Extension tabled by the United States.
3. At both the last meetings of this Committee, I specifically noted that there were three major questions which remained unresolved, namely:

(i) the position concerning possible modification of rates of development, which I later explained as the possible application of negative development rates;

(ii) base levels, i.e. the reduction of present access rights to reflect trade performance, and

(iii) flexibility rules, particularly the regime which might apply in times of recession.

4. These three questions led to a long and difficult debate inside the Community. The decisions which have now been reached were the more difficult on account of the persistent grave difficulties of the Community's textile industry.

Mr. Chairman, I will not go into a detailed description of the situation of the textile and clothing industry in the Community. Let me, however, remind your Committee that this industry accounts for over 3% of industrial employment in the EEC and this remains a major component in our industrial structure. It is a declared policy of the Community authorities to maintain and foster a viable textile and clothing industry.

5. Against a background of slow economic growth, structural changes in the consumption pattern have led to a stagnation of demand in the last 10 years. The slow growth of consumption has more than been taken up by imports, as these have now reached a penetration level of over 45% as against a little over 20% in 1973. This is a much larger rate of import penetration than exists in any other major importing country, and therefore places the Community in a very special situation.

6. Mr. Chairman, as a result the Community textile and clothing industry will have lost by the end of this year and since the beginning of MFA II at least 300,000 additional jobs. This is not only far more than any other importing country, it is more than all other importing countries together. Understandably this has led to considerable social and industrial unrest in the Community.
7. Notwithstanding these grave problems and pressures, the Community has not changed its view that it should continue to adhere to the objectives of the MFA. Clearly, this effort must be appreciated in terms of our particular position and should, we believe, elicit a corresponding positive response in the interest of the success of the present negotiations.

8. In this spirit, the Community addressed itself to the three major issues and came to the following conclusions: Concerning the question of negative development rates, the problem is, of course, linked to the evidence we have of a declining rate of consumption in a number of key segments of this industry. Nevertheless, in the spirit of the current MFA, and bearing in mind its objectives, the Community has resolved not to adopt negative rates but to continue to uphold the principle of lower than 6% but positive growth rates. In the case of dominant supplier countries, our approach on differentiation would have to be applied to these growth rates.

9. As regards the recession phenomenon, which is tending to become endemic in the Community's textile industry, we have come to the conclusion that our bilateral agreements should allow enough room for consultations in the event of a new serious manifestation of recessionary problems arising in the course of MFA III. However, as regards dominant suppliers, the Community must also keep in reserve the possibility of cushioning the adverse effects by a waiver of flexibility provisions for sensitive products.

10. As regards the central issue of base rates, it has to be understood that the structural changes in the demand for textile products have considerably widened the gap between actual imports on the one hand and restraint levels on the other hand which have been increased by growth rates appropriate to very different economic situations. Here also, the Community has decided to remain faithful to the principle of the present MFA in using past restraint levels as the basis for future access. However, in order to avoid a sharp and substantial increase in trade in underutilised quotas for highly sensitive products, which would be detrimental to the EC industry, we will propose procedures to be agreed for special and concrete measures to cope with the problem of further risk of disruption. The procedure would not operate for restraints below a certain threshold,
measured in terms of a percentage of total imports. Mr. Chairman, we are convinced that such an anti-surge procedure is compatible with the objectives and the spirit of the Arrangement and it would be our intention to include a provision for this procedure in a future Protocol of Extension.

11. The problem of base levels is, of course, posed in particularly acute terms in the case of dominant supplier countries. For this reason, the Community is bound to look towards a solution, which will tend to maintain a balanced attitude towards all the Community's suppliers. Therefore, whilst again accepting the principle that future total access should be based on past restraint levels, the Community will be looking to negotiate adjustments in restraint levels with these dominant supplier countries. We consider that the arrangements to be concluded should include instead an element of outward processing trade within the most sensitive clothing categories. Such particular outward processing arrangements would not be appropriate for the most sensitive textile categories, where the maintenance of a balanced attitude would, in particular, necessitate a waiver from the flexibility provisions in Annex B. To deal with these problems we would expect to include appropriate provisions in a future Protocol of Extension.

12. Mr. Chairman, what I have just outlined constitutes the essence of the solution to the three major issues which have been outstanding since last July. There are a number of other problems addressed by other parties, notably that of flexibility provisions for large quotas. This latter issue is dealt with in the US draft Protocol and we can associate ourselves with it. We can also go along with the proposal made by the Swiss Delegation on the protection of industrial property. In addition, it will be recalled, Mr. Chairman, that we expressed considerable sympathy with some of the ideas set out in Proposal No 4 regarding new entrants and small suppliers tabled by the developing countries last July.

13. It is our intention to submit a draft Protocol of Extension to this Committee covering the various aspects of the Community's proposals including those already tabled last September. My Colleagues and I will make ourselves available for full discussion and explanation to each and all of our trading partners to ensure the most complete clarity
of what we have in mind. In the light of these explanations we shall
do everything in our power to advance the total process of negotiations,
both bilaterally and multilaterally, as rapidly as possible.

14. Mr. Chairman, we are conscious of the problems before us and we recognise the need for speedy action. Like all of us in this room, we want to do our utmost to ensure the smooth transition from one Arrangement to another with a minimum of interference with trade flows in the interest of exporting and importing countries alike.