ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Proposal by developing exporting countries participants in the Arrangement

Attached is a proposal received from developing exporting countries, participants in the Arrangement, relating to the market disruption provisions of the Arrangement.
Following negotiations on the renewal of the Arrangement Regarding International Trade in Textiles, as concluded on 20 December 1973, the participants to this Arrangement agree on the following regarding its application and in particular Article 1, Article 3, Article 4, Annex A and Annex B of the Arrangement.

1. It is recalled that the basic objectives of the MFA, as laid down in Article 1:2 of the Arrangement, are to achieve the expansion of trade, the reduction of barriers to such trade, and the progressive liberalization of world trade in textile products, while at the same time ensuring orderly and equitable development of trade and the avoidance of disruptive effects in individual markets and on individual lines of production.

2. It is also stressed that a principal aim of the Arrangement is to further the economic and social development of developing countries and secure a substantial increase in their export earnings and to provide scope for a greater share for them in world trade of these products.

3. It is noted, that actions under Article 3 & 4 to temporarily restrain trade in textiles products can only be taken if there exists a situation of market disruption or a real risk thereof. It is also noted that Article 6:1 requires that in the application of such restrictions developing countries shall be given more favourable terms than other countries.

4. With respect to the definition of market disruption contained in Annex A of the Arrangement, it has been observed (inter alia by the TSB) that difficulties have arisen as to its application in practice, leading to misunderstandings between exporting and importing participants, and generally hindered efficient operation of the Arrangement. With a view to overcoming these difficulties the following interpretative rules shall be followed:
(a) having regard to the elements contained in Annex AI and II and the requirement of Article 3.2 that restraints must be limited to precise products, it follows that

(i) any given volume of imports of any single product or of any group of products is not of itself disruptive;

(ii) the total volume of imports of any single product or of any group of products in relation to consumption of those products in the market of the importing participant is not of itself a measure of market disruption,

(iii) there is no basis for classifying any participant or group of participants as 'low cost suppliers' merely by virtue of the ability of those participants to supply any single product or group of products at prices substantially below those prevailing in the market of the importing participant, when those prices are derived from the comparative advantage of such participants to supply such products,

(iv) where prices are derived other than from the comparative advantage of those suppliers, then participants may have recourse to such other multilateral instruments as may be appropriate for such situations,

(v) consequently restraints may be imposed under the provisions of Article 3.5 in respect of any single product or group of products from any particular participant only where it can be shown that those products and that participant are the cause of market disruption; there is thus no basis for the imposition of restraints on any
single product or group of products from a number of supplying participants taken as a whole by virtue of the total volume of such products from such supplying participants.

(b) no supplier shall be deemed to be causing market disruption before it has exceeded the level of imports of the particular product concerned from any other non-restrained source.

(c) For an importing country to take action under Article 3, it is required to submit to the TSB and the exporting country concerned convincing evidence that market disruption is in existence.

(d) In any bilateral agreement concluded or to be concluded under Article 4 where the growth rate offered for any particular product is only 6 per cent, being thus inconsistent with Article 4.3 in that it is not more liberal than measures provided for in Article 3, the importing participant shall submit convincing evidence to the TSB and the exporting participant concerned that a situation of actual market disruption exists in respect of such a product.

(e) The detailed factual statement of reasons and justification for the request for action under Articles 3 and 4 must contain evidence referring to the specific products under consideration and not only information of a general and universal nature.
(f) Evidence should be provided that serious damage is being suffered by domestic producers.

(g) It should be clearly indicated that the source of such disruption or recurrence of disruption is not due to technological changes, changes in consumer preferences or similar factors.

(h) It must be shown that the source of the disruption or of its recurrence is a sharp and substantial increase or imminent increase of imports of particular products from particular sources.

(i) Restraint measures shall not be applied by an importing country unless it is established that a situation of real risk of market disruption/market disruption/recurrence of market disruption, exists. When an exporting participant is unable to accept the claim of the importing participant that there is a situation of market disruption, a real risk thereof, or a recurrence of market disruption caused by import from that exporting participant, the exporting participant may refer the case to the TSB as regards the validity or otherwise of the claim made by the importing participant. While the matter is being considered by the TSB, the importing participating country should refrain from taking any restrictive measures.
(j) Restraint measures applied by an importing country under Article 3 shall not be in force for more than 12 months. Should an importing country wish to extend the measure, it shall establish the existence of market disruption de novo.

(k) The evidence of real risk of market disruption/ market disruption/ recurrence of market disruption shall be periodically reviewed through bilateral consultations and by the TSB in periods of not less than two years in order to assess whether the situation of disruption has ceased to exist and whether restraints are in consequence to be removed or higher growth rates to be introduced.

(l) If the periods referred to in paragraph 1 of Annex B are adverse for a particular exporting country due to certain reasons, its base level may then be established taking into consideration its share in world exports of the product in question.