

**GENERAL AGREEMENT
ON TARIFFS AND TRADE**

CONFIDENTIAL
TEX.SB/3007*
18 July 1994

Textiles Surveillance Body

ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Notification under Article 4:4

**Amendment of the bilateral agreement between
the EC and the People's Republic of China**

Note by the Chairman

Attached is a notification received from the EC of an amendment of its bilateral agreement with the People's Republic of China, regarding the introduction of an agreed limit on Category 97.¹

¹The bilateral agreement and previous amendments are contained in COM.TEX/SB/1473, 1559, 1651 and 1839.

*English only/Anglais seulement/Inglés solamente



EUROPEAN COMMISSION

DIRECTORATE GENERAL I

EXTERNAL ECONOMIC RELATIONS

Sectoral commercial questions

Negotiation and management of textile agreements; clothing and other industries

Brussels,
Ref: DP/jm - raff2
I-D-1

06.07.94

011220

Dear Ambassador,

With regard to the Agreement on trade in textile products between the European Community and China negotiated under Article 4 of the Arrangement and initialled on 9 December 1988, as amended by the Exchange of Letters initialled on 8 December 1992, I have to inform you of the following.

During the course of 1993, imports of fishing nets, (Category 97) from China into the Community exceeded the level at which the Community could ask for consultations with a view to establishing a Community limit under the provisions of Article 6 of the Agreement. Since the Community considered that there was a real risk of market disruption in this case, consultations were held on 7 April 1994 under Article 16 of the Agreement. As a result of these consultations, and in accordance with the provisions of the Agreement, China agreed to limit its exports as follows:

<u>Category</u>	<u>Unit</u>	<u>1994</u>
97	Tonnes	1,600 *)

*) The limit for 1994 is applied pro rata from 8 February to 31 December 1994.

These new limits contained in the Agreed Minute annexed to this letter are herewith communicated under Article 4, paragraph 4 of the Arrangement, as a modification to the Community's Agreement with China.

Yours sincerely,

Dorian Prince

Enc.

Ambassador M. RAFFAELLI
Chairman,
Textiles Surveillance Body, GATT
Centre William Rappard
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CH-1211 GENEVA 21

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For

Director General

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BASKET EXIT LIMITATION

	<u>Category: 97</u>	<u>Units: Tonnes</u>	<u>Country: China</u>
(a)	Date when new limit was agreed	7 April 1994	
(b)	Basket Exit Level	512	
(c)	Provisional limit introduced pending outcome of consultations	174 (for 3 months)	
(d)	Level of new agreed limit	1,600	
(e)	First year of application of new limit	1994	
(f)	Annual growth	3.5%	
(g)	Date when consultations were requested	8.2.94	
(h)	Recorded imports at date of request	1,415	
(i)	Period covered by (h)	6 months 1/1/93-30.6.93	
(j)	Imports during previous calendar year	695 (1992)	

ref: basket2

AGREED MINUTE

1. Delegations of the European Community and the People's Republic of China met in Beijing from 6 April 1994 to 8 April 1994 in accordance with Articles 6 and 16 of their bilateral Agreement on trade in textiles initialled on 9 December 1988 as amended and extended by the Exchange of Letters initialled in Brussels on 8 December 1992.

2. As a result of these consultations, the two parties agreed as follows :

- a) China will limit its exports of products of categories 28, 68 and 97 to the Community as follows :

categories	Units	Quantitative limits years	
		1994	1995
28	000pcs	53.000	54.590
68	Tonnes	15.000	15.525
97	Tonnes	1.600	1.656

- b) The annual limits for the year 1994 are to be applied prorata as set out below :

28	000pcs	40.948	from 25 March 1994
68	Tonnes	11.589	from 25 March 1994
97	Tonnes	1.433	from 8 February 1994

Products shipped from China before the above-mentioned dates shall not be deducted from the limits established for each of the above-mentioned categories.

- c) It is understood that the provisions of the Agreement which concern exports of products subject to the quantitative limits established in Annex III thereto and in particular those relating to the double checking system and flexibility (Article 5 of the Agreement) are also applicable to the products subject to the quantitative limits mentioned in subparagraphs a) and b) above.

Beijing, 7 April 1994

For the Delegation of the
People's Republic of China

For the Delegation of the
European Community

[Handwritten signature]

**Situation in the Community Market
of category 97 products (nets, netting and made up fishing nets)
Imports from China**

Total imports of category 97 products into the Community increased progressively from 1989 to 1992 by 18,5% or by an average of 5,8% per year. During the same period China has almost trebled its exports to the Community market, with an average annual growth of EC-imports from China amounting to more than 42%.

In 1993 China has become the Community's biggest supplier, with an increase of its imports of 223% in the first 6 months. China increased its share in total EC-imports in 3 years from around 6% in 1990 to 36% in the first half of 1993; China's share in imports from all MFA countries having concluded a bilateral agreement with the EC has reached almost 50%.

This continuous extremely high increases in Chinese exports of category 97 products to the Community have created serious difficulties for the European industry. In this context it has to be taken into account that the prices of the Chinese products are exceptionally low; their average level has even decreased every year since 1989. The average price of category 97 products imported from China in 1993 was only half of the average price of extra EC imports and only around one third of the average price for European products of this type. The combination of China's high share in the European market for category 97 products amounting to 26% (1993) with the very low Chinese prices has led to a disruption of the EC market.

The further growth of Chinese exports to the Community, in combination with the generally shrinking EC market, would have economic and social consequences which are no longer bearable to our industry. EC production and exports have progressively decreased in the past years, leading to considerable losses in employment.

Further detailed information on the economic situation in this sector is given in the annex.

In view of this serious economic situation of the European industry and in order to avoid further deterioration of this situation, the Community has to request the opening of consultations according to Art. 6 of the bilateral Agreement on Textiles.

CHINA/EC : category 97 (tonnes)I. Trade

Year	<u>EC Imports</u>			<u>EC Exports</u>
	Extra EC	China	% of Extra	Extra EC
1989	4334	242	5.6	5978
1990	4616	285	6.2	6640
1991	4571	316	6.9	6930
1992	5135	695	13.5	5503
1-6/92	2992	443	14.8	3097
1-6/93	3900	1415	36.3	3002

The basket threshold level in 1992 (464 t) was already exceeded by 50% and in 1993 (512 t) by 176% after 6 months only.

II. Prices

Comparison of average prices of category 97 products
(ECU/kg) :

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1-6/93</u>
EC exports to industrialised countries	7.94	7.23	7.57	6.82
EC imports from :				
* Extra EC countries	5.48	6.50	5.67	4.81
* China	5.26	5.13	4.48	2.43

III. EC Market Situation

Year	Production	Consumption	<u>Import Penetration</u>	
			Extra-EC	China
1989	17162	15518	27.9	1.6
1990	14783	12759	36.2	2.2
1991	13470	11111	41.1	2.8
1992	10249	9881	52.0	7.0
1-6/92	5125	5020	59.6	8.8
1-6/93	4529	5427	71.9	26.4