

**GENERAL AGREEMENT
ON TARIFFS AND TRADE**

CONFIDENTIAL

TEX.SB/3008*

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 Indonesia**

Note by the Chairman

Attached is a notification received from the EC of an amendment of its bilateral agreement with Indonesia, regarding the introduction of an agreed limit on Category 33.¹

¹The bilateral agreement and previous amendments are contained in COM.TEX/SB/1290, 1338, 1468, 1554, 1667, 1672, 1694, 1706 and 1866.

*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

1

1317

Brussels,
Ref: DP/jm - raff3
I-D-1

06.07.94**011221**

Dear Ambassador,

With regard to the Agreement on trade in textile products between the European Community and Indonesia negotiated under Article 4 of the Arrangement and initialled on 28 June 1986, as amended by the Exchange of Letters initialled on 27 November 1992, I have to inform you of the following.

During the course of 1993, imports of woven fabrics of polyethylene or polypropylene and sacks or bags thereof, (Category 33) from Indonesia 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 8 of the Agreement. Since the Community considered that there was a real risk of market disruption in this case, consultations were held on 18 May 1994 under Article 16 of the Agreement. As a result of these consultations, and in accordance with the provisions of the Agreement, Indonesia agreed to limit its exports as follows:

<u>Category</u>	<u>Unit</u>	<u>1994</u>
33	Tonnes	11,400 *)

*) The limit for 1994 is applied pro rata from 24 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 Indonesia.

Yours sincerely,

Dorian Prince

Enc.

Ambassador M. RAFFAELLI
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REG - 3 JUL 1994	
For	
Director General	
TSB	X
DDG 1	
DDG 2	X
DDG 3	

BASKET EXIT LIMITATION

	<u>Category: 33</u>	<u>Units: Tonnes</u>	<u>Country: Indonesia</u>
(a)	Date when new limit was agreed	18.5.1994	
(b)	Basket Exit Level	5,454	
(c)	Provisional limit introduced pending outcome of consultations	2,296 (3 months)	
(d)	Level of new agreed limit	11,400	
(e)	First year of application of new limit	1994	
(f)	Annual growth	5%	
(g)	Date when consultations were requested	24.2.94	
(h)	Recorded imports at date of request	8,211	
(i)	Period covered by (h)	1.1.93-31.12.93	

ref: basket 3

AGREED MINUTE

1. Delegations of the European Community and the Republic of Indonesia met in Brussels on 17 and 18 May 1994 in accordance with Articles 8 and 16 of the Agreement on trade in textile products between the EEC and Indonesia, applied since 1 January 1987, as extended by Exchange of Letters applied since 1 January 1992 and as further amended and extended by Exchange of Letters initialled on 27 November 1992.

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

a) Indonesia will limit its export of products of category 33 to the Community as follows

<u>Category</u>	<u>Unit</u>	<u>Quantitative limits years</u>	
		1994	1995
33	tonnes	11.400	11.970

b) The annual limit for the year 1994 is to be applied prorata as set out below:

33	tonnes	9.713 from 24 February 1994
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Products shipped from Indonesia before the above-mentioned date shall not be deducted from the limit established for 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 II thereto and in particular those relating to the double checking system and flexibility (Article 7 of the Agreement) are also applicable to the products subject to the quantitative limit mentioned in subparagraphs a) and b) above.

Brussels, 18 May 1994

For the Delegation of the
Republic of Indonesia



For the Delegation of the
European Community



**Situation in the Community Market
of category 33 products
(woven fabrics of synthetic filament yarn and woven sacks and bags
obtained from strip)**

Imports from Indonesia

Total imports of category 33 products into the Community increased progressively from 1989 to 1992 by 67,2% or by an average of 18,7% per year. During the same period Indonesia has increased its exports to the Community almost 50 times from only 186 tonnes in 1989 to 9.184 tonnes in 1992. By this Indonesia could improve its position as supplier of category 33 products to the Community market from rank 14 (1989) to rank 2 (1992) just after China.

In 1993 Indonesia has consolidated and even strengthened its position as importer to the EC market with an additional increase of 5,7% in the first 6 months, while other suppliers' imports suffered from the economic recession in the Community. Indonesia increased its share in total EC imports from below 1% in 1989 to almost 20% in the first half of 1993; Indonesia's share in imports from all MFA countries having concluded a bilateral agreement with the EC has reached 26,5%.

The extremely rapid surge of Indonesian exports of category 33 products to the Community has put the European industry in considerable difficulties. This situation has deteriorated in combination with the shrinking consumption in the EC market and decreasing exports of the EC industry, but particularly also because of the exceptionally low prices of the Indonesian products. The average price of category 33 products imported from Indonesia in 1993 was 30% below the average price of total extra EC imports, and it was only less than one third of the average price for European exports of this type of product. Together with their very low prices, Indonesia's exports and their high share of more than 11% (1993) in the Community market for category 33 products have led to a disruption of the EC market.

A further uncontrolled growth of Indonesian exports to the Community, in combination with other import increases and the general economic situation, would have economic and social consequences which are no longer bearable to the EC's industry or acceptable to the Community. EC production which has already suffered since 1990 has clearly decreased by 17% in 1993, followed by a considerable loss in employment. A further deterioration of this serious situation of the European industry concerned has to be avoided.

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

In view of the above situation and taking into account that imports of category 33 products from China and from seven other countries which are much smaller suppliers than Indonesia are already subject to quotas, the Community has to request the opening of consultations according to Art. 8 of the bilateral Agreement on Textiles.

INDONESIA/EC : CATEGORY 33
(in tonnes)

I. TRADE

Year	<u>EC Imports</u>			<u>EC Exports</u>
	Extra-EC	Indonesia	% of Extra	Extra-EC
1989	32.618	186	0,6	15.031
1990	44.470	528	1,2	14.816
1991	47.197	3.085	6,5	17.539
1992	54.540	9.184	16,8	11.795
1-6/92	28.713	4.876	17,0	5.564
1-6/93	26.483	5.156	19,5	5.012

The basket threshold level in 1992 (4720 t) was already exceeded by 95% and in 1993 (5454 t) - on the basis of presently available import statistics - already by 50%.

II. PRICES

Comparison of average prices of category 33 products (ECU/kg) :

	1990	1991	1992	1-6/93
EC exports to industrialized countries	3,65	3,95	3,83	3,89
EC imports from :				
- Extra-EC countries	1,65	1,77	1,71	1,65
- Indonesia	1,27	2,04	1,41	1,15

III. EC MARKET SITUATION

Year	Production	Consumption	<u>Import Penetration</u>	
			Extra-EC	Indonesia
1989	62.423	80.010	40,8	0,2
1990	61.903	91.557	48,6	0,6
1991	56.654	86.312	54,7	3,6
1992	55.876	98.621	55,3	9,3
1-6/92	30.119	53.268	53,9	9,2
1-6/93	24.951	46.422	57,0	11,1