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ANNEX

to the report by Mr M. WELSH
drawn up on behalf of the Committee on
External Economic Relations
on the renewal of the Multi-Fibre Arrangement
with particular reference to the situation
of the European textile industry
- Opinion of the Committee on Development and
Cooperation -

Draftsman: Mr P. LEZZI

OPINION
OF THE COMMITTEE ON DEVELOPMENT AND COOPERATION

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On 22 January 1981 the Committee on Development and Cooperation appointed Mr LEZZI draftsman of the opinion.

At its meetings of 17 February 1981, 17 March 1981 and 6 April 1981, the committee considered the draft opinion, and adopted it with one abstention on 6 April 1981.

Present: Mr Sherlock, acting Chairman; Mr Lezzi, draftsman; Mr Barbi (deputizing for Mr Narducci); Mr Enright, Mr C.M. Jackson (deputizing for Sir Fred Warner); Mr Kellett-Bowman, Mr Michel, Mr Pearce, Mr Wawrzik.

The Multifibre Arrangement (MFA), which was entered into by about fifty States in 1973 in the context of GATT, regulates international trade in the textile and clothing industries and, in particular, the access of low-cost imports from developing countries to the markets of the industrialized countries. (The MFA was first renewed in 1977 and is due again for renewal in 1981).

The results of the Arrangement have not proved satisfactory. The textile and clothing industries of the industrialized countries, especially those of the Member States, continue to face difficulties and the developing countries are unhappy about the voluntary restraint agreements on textile exports.

Nevertheless, the MFA must be renewed, not only to avoid a return to protectionist policies but also to promote efforts to achieve a balance between the need, on the one hand, to defend the European textile industry and, on the other, to provide the increased access to the Community market required by the developing countries. The problems of the European textile industry are of the greatest possible concern to the Committee on Development and Cooperation because of the significant role played in this connection by imports from the developing countries.

We must take the interests of these countries into account particularly with a view to the re-opening of the North-South dialogue - avoiding the use of protectionist measures or of the safeguard clause. We must also take into account the importance of the textile and clothing industry for the European Community. Despite the fact that, in recent years, 4,200 firms have closed down, 700,000 jobs have been lost and consumer demand for textiles has ceased to grow, the industry still employs 8.5% of the working population of the EEC. In view of the present economic and social climate of the EEC, an industry of such major importance cannot be left in a state of permanent crisis. It is increasingly clear that the crisis in the textile industry is becoming a politically critical one; it is a central factor which cannot be neglected in an assessment of the overall situation.

Other factors which must be considered are the criticisms made by COMITEXIL (the Coordination Committee for the Textile industries of the EEC) and by the European Trades Unions Committee, and also the stoppage of work which took place on 2 December last year.

However, this continuing state of crisis cannot be attributed to the volume of imports from developing countries. The reasons lie rather in the absence of an overall industrial strategy in this sector, the neglect of necessary structural reforms, the weakness shown by the EEC in the face of the aggressive commercial policies of the Japanese and the continued existence of US customs barriers.

It should also be borne in mind that, although there has been a substantial increase in the production and exporting of textile products from developing countries during the last ten years, this does not herald the dawn of a new era of a fairer international division of labour. It is a result of the phenomenal concentration of growth in a single sector of industry in some developing countries as a result of intensive investment programmes, not only by US and Japanese transnational companies, but also by European ones, for example in Hong Kong, South Korea and Formosa - an operation made easier by the total absence of restrictions on foreign investments or the repatriation of profits and by the harsh legislation in force in these countries governing workers and their rights of organization. This unrestrained development of a single industry has not only failed to bring any benefits to these three countries, at least as regards improved working conditions and the development of a national industry, it has also contributed significantly to the disruption of markets. In the period under consideration, these three countries had a monopoly over about 80-85% of the total exports from the developing countries.

In view of this, we must attempt, with the renewal of the MFA, on the one hand to maintain an international legal framework capable of regulating world textile trade so as to ensure both the existence of a thriving textile industry and access to markets for imports from developing countries, and, on the other, to achieve a balance in world textile trade between the various exporting countries and the principal importing ones. Access to the markets of the importing countries must be more evenly distributed (in the EEC one product in three is imported, in the USA one in five and in Japan one in eight) and differential treatment must be accorded to third countries on the basis of their real level of industrial development so as to give increased priority to genuine developing countries.

The Community followed this course when renewing the MFA in 1977 in order to stabilize imports of sensitive textile products from low-cost supplier countries (Hong Kong, Formosa, etc.).

On the basis of the rates of penetration of the Community market achieved in 1976, annual rates of increase were established according to the sensitivity of the products in question. For the eight most sensitive products, which account for more than half of Community imports of MFA products, quota ceilings were established for all imports from low-cost countries by means of bilateral agreements negotiated between the EEC and the developing countries (26 agreements were concluded between September and December 1977, one agreement with an ACP country, the Island of Mauritius). This resulted in a drop in the rate of increase of imports from the countries concerned. Whereas the average annual rate of increase between 1973 and 1976 was 25% in the period 1976-1979 it fell to 4%.

For the eight most sensitive products, however, the increase in the volume of imports between 1976 and 1979 amounted to 1.9%.

If the imports of textile products are broken down by groups of countries, it will be seen that, between 1976 and 1979, imports from developing countries which had signed bilateral agreements with the EEC increased at the following average annual rates:

- 2.3% for MFA products as a whole
- 0.8% for the eight most sensitive products
- 1.2% for the four main supplier countries (Hong Kong, South Korea, India and Brazil)
- 3.4% for other supplier countries

As for those countries enjoying preferential status, with which the EEC signed informal arrangements between 1976 and 1979:

- imports from the Mediterranean countries increased at an average annual rate of 7.4% for all products and 4.4% for highly sensitive products
- imports from the ACP countries increased at an average annual rate of 8.2% for all products and 4.5% for highly sensitive products.

The ACP countries' share of total Community imports remains extremely low at 1.6%.

Although the existing arrangements between the ACP countries and the EEC in this difficult sector are considerably more favourable than those between the EEC and the rest of the Third World and although ACP textile

exports in the years 1977-1979 increased by 20% for all the products covered by the MFA and by 11% for highly sensitive products, the fact remains that the mere opening up of the Community market is insufficient in itself to ensure the growth of trade between the EEC and the ACP. We must promote a policy of investment, savings in the ACP countries and trade promotion; we must use the conciliation procedure in such a way as to ensure that both development and structural improvements are fostered. There is no reason to think that the EEC can withdraw from the commitments it freely entered into with the Lome Convention and with the decisions taken by the EEC and the ACP at Arusha, Luxembourg and Freetown.

The fundamental aims of the MFA have only been partially achieved. The concern shown by the European socialist parties, in their anxiety to see the crisis in the textile industry overcome, is understandable. The crisis cannot possibly be solved by means of a trade policy; it is a Community industrial policy that is needed. It is to be hoped that the Council will be more favourable disposed to the Commission's commitment to new proposals in the field of industrial policy.

The European Trades Unions Committee, in its criticisms of the structure and operation of the MFA, has drawn the Community's attention on several occasions to the need to include a social clause in the new arrangement, whereby the contracting parties would have to undertake to observe in their respective countries certain international standards contained in the Conventions and recommendations of the International Labour Organization. Your rapporteur fully supports this demand, although it may be open to opportunist interpretations. The European Parliament, at its plenary sitting of 11 May 1979, adopted a resolution by the Committee on Development and Cooperation on the communication from the Commission of the European Communities to the Council on development cooperation and the observance of certain international standards governing working conditions. This resolution stressed that more attention should be given to the social aspects of development in order to reduce the gross inequalities in wealth which exist amongst the developing countries and amongst the different sectors of the population. The Council has not so far responded to this communication of the Commission, which Parliament voted to adopt.

As far as the social aspects of development are concerned, there can be no doubt as to the increasing importance of consultations with trades unions, employers and government representatives of the countries concerned, with a view to devising and adopting measures capable of bringing about improvements in the living and working conditions of workers.