



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 15.05.1997
COM(97) 219 final

Report from the Commission to the Council on the respect of market access commitments by WTO Members in the textiles and clothing sectors

1.0 Introduction

In accordance with Article 1(7) of Council Regulation (EEC) No. 3030/93¹ the Commission presents its report on the respect by third countries of their commitments under the WTO rules and disciplines referred to in Article 7 of the WTO Agreement on Textiles and Clothing (ATC).

Article 7 of the ATC stipulates that WTO Members shall take such necessary actions to abide by GATT 1994 rules and disciplines so as (a) to achieve improved market access, (b) to ensure the application of fair and equitable trading conditions in such areas as dumping, subsidies and intellectual property rights, and (c) to avoid discrimination against imports when taking measures for general trade policy reasons.

According to the provisions of the article, and following authorisation by the Dispute Settlement Body, importing members have the possibility to cut back the increased growth rates provided for under Article 2.14 of the ATC should any exporting member breach their Article 7 commitments.

Article 7 provides that these obligations are to be fulfilled with reference to the specific commitments undertaken by Members as a result of the Uruguay Round. For this reason the present report concentrates on instances where WTO members have clearly infringed GATT 1994 rules and disciplines and where these infringements have been brought to the attention of the Commission.

Finally, it should be remembered that three other reports have been prepared on similar subjects related to that being covered by this report. The Commission services have recently submitted a report to the Article 113 Committee on the overall implementation of GATT 1994 commitments by contracting parties. In addition, the Textiles Monitoring Body has prepared a report on implementation of the ATC² and the Council on Trade in Goods has also prepared a report on the same subject³ - however, since these reports have largely relied upon notifications by WTO Members this aspect of implementation was not fully covered.

¹ OJ No L 275, 8.11.1993, p. 1.

² WTO document, G/L/113 of 4 October 1996

³ WTO document, G/L/134 of 5 November 1996

2.0 The achievement of improved market access

2.1 Trade

Annex I to this report provides historical details of trade with selected WTO members including all those whose textiles and clothing exports are subjected to Community quantitative restrictions for specific product categories. In global terms (including trade with non-WTO members) Community exports have increased steadily over recent years. If one looks at individual export markets this trend is, largely, repeated. In particular, exports to the ASEAN countries have increased significantly, in some cases doubling between 1993 and 1995.

While in several cases the level of exports remain disappointingly low and while market access problems do remain with many third countries it can be reasonably assumed, from looking at the trade statistics, that market access conditions for Community exports of textiles and clothing products have been improving.

2.2 Obstacles to Market Access

In line with the principles elaborated in its recent Communication "The Global Challenge of International Trade: A Market Access Strategy for the European Union"⁴ the Commission has held comprehensive consultations with industry, Member State representatives and the Commission's own delegations in third countries in order to determine the extent to which WTO commitments are being honoured by our WTO partners. Based upon the information received the Commission has established a database of market barriers existing in third countries which has been circulated to Member States and industry for their reference, use and comments.

2.2.1 Tariffs

Argentina has recently adopted specific duties which are in violation of the tariff binding commitments given during the Uruguay Round negotiations. After consulting Member States the Commission entered into consultations with Argentina under Article XXII of GATT 1994 and has joined, as a third party, the US request for a dispute panel.

Of additional concern is the fact that, as regards textiles and clothing products, some countries, notably Brazil, Mexico, South Africa and South Korea, have increased their applied tariff rates while staying within their bound rates. Although not incompatible with these countries respective WTO commitments, such actions can be criticised for reducing the level of effective market access. The Commission has made representations to each of these countries and has requested a return to the previous tariff rates. In the specific case of South Korea Member States supported a Commission decision to suspend GSP benefits on textile and clothing products.

⁴ COM (96) 53 final

In contrast, other countries, such as India, Indonesia and Pakistan, have improved their tariff bindings compared to their commitments agreed at Marrakesh. This welcome development occurred as the result of continued encouragement from other WTO partners and followed exhaustive market access negotiations with major importing nations, including the European Community. This is of particular importance in relation to both India and Pakistan which were previously considered as closed markets. In addition, India has autonomously announced a further reduction in its applied tariff rates for selected textiles products.

Other countries, most notably Thailand, have substantially reduced their applied tariff rates although no modifications have been made to the bound rates. It should be noted that the majority of third countries maintain applied tariff rates substantially below their WTO bound limits.

2.2.2 Non-Tariff Measures

As regards Argentina, the Commission is also concerned over recently introduced Argentine measures regarding the labelling of textiles products and the requirements for having certificates of origin validated by the Argentine consulate in the country of export. The Commission has entered into consultations with Argentina under Article XXII of GATT 1994 subsequent to which Argentina has made certain changes to its legislation in order to comply with its WTO commitments.

In the case of South Korea the Commission was notified of certain chemical testing procedures on carpets which complicated import and were therefore considered as technical barriers to trade. After consultations with the Korean authorities agreement was reached that they would adopt a testing system similar to that of the Community. The new Korean legislation entered into effect on 15 June 1996.

The Community also has an ongoing dispute with the US over the implementation of new rules of origin for textiles products. Should a satisfactory outcome to this dispute not be found the Commission reserves its right to propose that a formal complaint be made to the Textiles Monitoring Body. At the same time, industry has submitted a complaint under the provisions of the Trade Barriers Regulation.

The Commission has received complaints from European industry and from certain Member States regarding the difficulty of obtaining import licences for textiles and clothing products despite assurances given in the EC/India bilateral agreement on market access for textiles. Under the provisions of the agreement, the Commission intends to hold bilateral consultations with India on this matter as soon as possible. The Commission has also raised the more general issue of the import licencing measures maintained by India under balance of payments provisions in the review which is being conducted by the WTO/BoP Committee.

2.3 Conclusion

Other than the instances indicated above the Commission is not aware of instances where a WTO Member has not complied with its Uruguay Round commitments in relation to tariff reductions and bindings, non-tariff barriers or customs, administrative or licensing formalities, applying to textiles and clothing products. Nevertheless, should any such instances be brought to the Commission's attention all appropriate legal channels will be used in order to ensure that these obstacles to trade are removed.

3.0 Fair and equitable trading practices

In the areas of dumping and anti-dumping rules and procedures, subsidies and countervailing measures, and protection of intellectual property rights the Commission has not been informed by Member States, by industry or by any other sources of instances where WTO Members, in relation to the textiles and clothing sectors, have applied policies inconsistent with GATT 1994 commitments.

This is not to say that the Commission has not encountered cases of unfair trading practices in the above mentioned areas and a number of procedures have been launched (details are provided in Annex II to this report).

Should any such instances be brought to the Commission's attention all appropriate legal channels will be used in order to ensure that these obstacles to trade are removed.

4.0 General discrimination

The Commission has not been informed by Member States, by industry or by any other sources of instances where WTO Members have discriminated against imports in the textiles and clothing sector when taking measures for general trade policy reasons. Nevertheless, should any such instances be brought to the Commission's attention all appropriate legal channels will be used in order to ensure that these obstacles to trade are removed.

5.0 Conclusion

The Commission concludes that most WTO Members have generally abided by specific commitments on tariffs and non-tariff specific barriers made under the Uruguay Round.

The Community has acted swiftly to deal with breaches of WTO commitments by Argentina and the US. These will be pursued in the appropriate WTO Bodies.

Where countries have not abided by the spirit of Article 7 and have taken measures which effectively limit market access, notably Brazil, Mexico, South Africa and Korea, the Commission has also begun bilateral contacts.

Problems relating to import licences in India will be dealt with both bilaterally under the EC/India market access agreement, and in the WTO/BoP Committee.

The Commission considers that the Community should use all the various instruments of the WTO relating to market access systematically in order to raise these and any other issues that European industry and Member States consider important, so as to ensure that the TMB takes these matters fully into account in preparing its report to the Council for Trade in Goods on the first stage of the ATC.

Annexes (2)

EC TEXTILES AND CLOTHING TRADE 1992-1995 WITH WTO COUNTRIES SUBJECT TO QUOTAS

DOMINANT SUPPLIERS

HS-CHAPTERS 50-63		TRADE VOLUME (MECU)				1992 = 100			
PARTNER	FLOW	1992	1993	1994	1995	1992	1993	1994	1995
SOUTH KOREA	Imports	1,079	931	852	828	100	86	79	77
	Exports	300	345	514	673	100	115	171	225
	Balance	-779	-587	-338	-154	100	75	43	20
HONG KONG	Imports	2,590	2,810	2,623	2,601	100	109	101	100
	Exports	772	992	1,267	1,284	100	128	164	166
	Balance	-1,818	-1,819	-1,355	-1,318	100	100	75	72
MACAO	Imports	426	453	448	415	100	106	105	97
	Exports	3	4	5	6	100	130	151	201
	Balance	-422	-449	-444	-408	100	106	105	97

INDIAN SUB-CONTINENT

HS-CHAPTERS 50-63		TRADE VOLUME (MECU)				1992 = 100			
PARTNER	FLOW	1992	1993	1994	1995	1992	1993	1994	1995
PAKISTAN	Imports	980	1,074	1,171	1,231	100	110	119	126
	Exports	56	58	46	55	100	102	82	97
	Balance	-924	-1,016	-1,124	-1,176	100	110	122	127
INDIA	Imports	1,870	2,203	2,560	2,947	100	118	137	158
	Exports	42	66	87	105	100	158	208	249
	Balance	-1,828	-2,136	-2,472	-2,842	100	117	135	155
SRI LANKA	Imports	325	400	457	476	100	123	141	147
	Exports	38	50	64	75	100	131	166	195
	Balance	-286	-350	-394	-401	100	122	137	140

ASEAN

HS-CHAPTERS 50-63		TRADE VOLUME (MECU)				1992 = 100			
PARTNER	FLOW	1992	1993	1994	1995	1992	1993	1994	1995
THAILAND	Imports	912	905	901	866	100	99	99	95
	Exports	60	68	91	109	100	113	151	182
	Balance	-852	-837	-811	-757	100	98	95	89
INDONESIA	Imports	1,372	1,466	1,559	1,508	100	107	114	110
	Exports	46	58	92	126	100	124	199	271
	Balance	-1,326	-1,409	-1,466	-1,382	100	106	111	104
MALAYSIA	Imports	483	504	528	464	100	104	109	96
	Exports	40	49	65	83	100	122	162	207
	Balance	-443	-455	-463	-381	100	103	105	86
SINGAPORE	Imports	227	173	125	99	100	76	55	44
	Exports	165	210	279	290	100	127	169	176
	Balance	-62	37	154	191	100	-60	-248	-308
PHILIPPINES	Imports	357	359	343	306	100	100	96	86
	Exports	45	47	51	52	100	103	113	114
	Balance	-312	-312	-292	-254	100	100	94	82

LATIN AMERICA

HS-CHAPTERS 50-63		TRADE VOLUME (MECU)				1992 = 100			
PARTNER	FLOW	1992	1993	1994	1995	1992	1993	1994	1995
PERU	Imports	122	100	104	104	100	82	85	86
	Exports	4	6	9	13	100	138	204	299
	Balance	-117	-94	-95	-91	100	80	81	78
BRAZIL	Imports	322	279	270	241	100	87	84	75
	Exports	82	150	153	209	100	183	187	256
	Balance	-240	-130	-117	-32	100	54	48	13
ARGENTINA	Imports	115	81	130	178	100	70	113	155
	Exports	71	84	108	80	100	118	153	113
	Balance	-44	3	-21	-98	100	-7	48	223

CEECs

HS-CHAPTERS 50-63		TRADE VOLUME (MECU)				1992 = 100			
PARTNER	FLOW	1992	1993	1994	1995	1992	1993	1994	1995
POLAND	Imports	1,114	1,394	1,634	1,885	100	125	147	169
	Exports	943	1,204	1,446	1,738	100	128	153	184
	Balance	-170	-190	-188	-147	100	112	110	86
CZECH REP. (1992 estimated)	Imports	489	565	710	853	100	116	145	174
	Exports	320	448	584	748	100	140	183	234
	Balance	-169	-117	-126	-105	100	69	74	62
SLOWAKIA (1992 estimated)	Imports	177	208	319	402	100	118	180	227
	Exports	101	139	180	267	100	137	178	263
	Balance	-75	-69	-138	-135	100	92	184	179
HUNGARY	Imports	658	700	749	900	100	106	114	137
	Exports	554	602	683	832	100	109	123	150
	Balance	-104	-98	-65	-68	100	94	63	66
ROMANIA	Imports	494	644	840	1,040	100	130	170	211
	Exports	324	449	575	783	100	139	177	242
	Balance	-170	-195	-265	-257	100	115	156	151
BULGARIA	Imports	198	213	250	317	100	108	126	160
	Exports	136	155	214	278	100	114	157	204
	Balance	-62	-58	-37	-40	100	93	59	64

NOTES:

Reporting countries 1992-1994 : EC12; 1995 : EC15

Countries with MFA or MFA-type agreements not subject to restrictions excluded

**ANTI-DUMPING AND ANTI-SUBSIDY MEASURES IN FORCE
AGAINST WTO MEMBERS IN THE TEXTILE SECTOR
AS AT 1st APRIL 1997**

PRODUCT	ORIGIN	MEASURE	PUBLICATION
-Cotton yarn	Brazil Turkey	duties	OJ L 82, 27.3.92, p.1
-Polyester fibres and yarns	Turkey	undertaking (countervailing)	OJ L 272, 28.9.91, p.92
-Polyester fibres (synthetic)	Turkey	duties	OJ L 347, 16.12.88, p.10
-Polyester textured filament yarn	Indonesia Thailand	duties	OJ L 128, 25.5.96, p.3 OJ L 178, 17.7.96
-Polyester yarns	Indonesia Turkey	duties	OJ L 88, 3.4.92, p.1 OJ L 141, 14.6.96.
-Sisal twine (binder and baler)	Brazil	undertakings	OJ L 251, 8.10.93
-Synthetic textile fibres of polyester	Turkey Romania	duties	OJ L 306, 22.10.92, p.1
	India South Korea	duties	OJ L 9, 15.01.93, p.2

**ONGOING ANTI-DUMPING PROCEEDINGS
AGAINST WTO MEMBERS
AS AT 1st APRIL 1997**

PRODUCT	ORIGIN	TYPE	INITIATION
-Bed linen	Egypt India Pakistan	AD initiation	13.9.96
-Cotton fabric (grey)	Turkey Egypt India Indonesia Pakistan	AD initiation	21.2.96
-Polyester yarn (POY/PTY)	India Indonesia	AD initiation Review 11/4	29.7.94 23.11.96
-Polyester yarn (PTY)	Malaysia	AD initiation	19.4.95
-Polyester yarns	Turkey	review 11/4	4.7.96
-Polyolefin sacks (small)	India Indonesia Thailand	AD initiation	13.4.95
-Synthetic fibre ropes (small)	India	AD initiation	4.4.96
-Synthetic fibres of polyester	India	review 11/4	4.7.96

ISSN 0254-1475

COM(97) 219 final

DOCUMENTS

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11 02 10

Catalogue number : CB-CO-97-210-EN-C

ISBN 92-78-19654-1

Office for Official Publications of the European Communities

L-2985 Luxembourg