

COMMISSION OF THE EUROPEAN COMMUNITIES

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Brussels, 25 July 1975

PROPOSAL FOR A COUNCIL REGULATION

concluding an Agreement between the European Economic Community
and the Islamic Republic of Pakistan on trade
in textile products and laying down provisions for its application

(submitted to the Council by the Commission)

EXPLANATORY MEMORANDUM

1. By a Decision of 15 October 1974 the Council authorized the Commission to open negotiations with Pakistan for the conclusion of an agreement on trade in textile products. This agreement negotiated under Article 4 of the Arrangement Regarding International Trade in Textiles will take over from the Agreement concluded in 1970 on the basis of the earlier Long-Term Arrangement Regarding International Trade in Cotton Textiles. The provisions of the 1970 Agreement have been maintained in force de facto by mutual agreement.

2. In accordance with the Decision referred to above and in consultation with the Article 113 Committee, the Commission held negotiations with Pakistan during November/December 1974 and January and July 1975.

These negotiations resulted in a draft agreement being drawn up.

It provides in particular for:

- (i) voluntary restraint to keep exports to the Community of certain cotton products intended for domestic consumption at agreed levels;
- (ii) in return, the suspension by the Community of the quantitative restrictions in force in the Member States on the relevant products and its agreement not to invoke the safeguard provisions of the Multifibres Arrangement provided that the agreed ceilings are adhered to;
- (iii) the adoption of a "consultation clause" enabling the Community, where there is a real risk of disturbance of the market in certain of the products in question, to enter into consultations with Pakistan on agreed conditions with a view to arriving at mutually acceptable solutions.

The Heads of Delegation, satisfied that this draft agreement reflected the outcome of the negotiations, initialled the text on 4 July.

3. In view of the fact that the draft agreement fixes Community voluntary restraint ceilings for 1975, 1976 and 1977, it is necessary to establish the criteria to be applied in allocating these Community ceilings. This allocation will be established in accordance with the procedure laid down in Article 11 of Regulation No. 1023/70 since the ceilings are administered on the basis of a system of double checking, the instrument in question being a voluntary restraint agreement. The exporting country is notified of the allocation and issues export licences certifying that the quantities involved have been set off against the ceilings, and the Community automatically accepts the imports on presentation of these export licences. The allocation criteria referred to above are those that were followed in the preparatory work carried out in the Council for the adoption of the decisions on the opening of bilateral negotiations under the Arrangement Regarding International Trade in Textiles. The allocation (1) will therefore be based on these criteria and in particular on the results of the work already done.

4. The Commission considers that the draft agreement constitutes an acceptable result for the Community. It proposes to the Council the conclusion of this Agreement and the adoption of the provisions for its application by the adoption of the Regulation, the draft of which is annexed.

(1) This allocation will be the subject of a separate regulation to be adopted by the Commission, likewise on the basis of Regulation No. 1023/70.

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THE COUNCIL OF THE EUROPEAN COMMUNITIES -

Having regard to the Treaty establishing the European Economic Community, and in particular Article 113 thereof;

Having regard to Council Regulation (EEC) No. 1023/70 (1) of 25 May 1970 establishing a common procedure for administering quantitative quotas, and in particular Article 2 thereof;

Having regard to the proposal from the Commission;

Whereas the Agreement on trade in textile products negotiated between the European Economic Community and the Islamic Republic of Pakistan should be concluded and provisions for its application laid down;

Whereas the Community is obliged under the Agreement to permit the importation of certain textile products within quantitative limits which Pakistan undertakes to adhere to by applying voluntary restraint in respect of its exports to the Community;

Whereas it is therefore necessary to introduce Community quantitative quotas, to fix the volume thereof for 1975, 1976 and 1977 and to establish the criteria for their allocation, with account being taken of the system of double checking provided for in the Agreement;

(1) O.J. No. L 124, 8.6.1970

Whereas in view of the considerable disparities in the conditions to which imports of the products in question into the Member States are currently subject, and given the particularly sensitive nature of the textile industry in the Community, the standardization of these import conditions can be achieved only progressively; whereas the main criterion for the allocation of these Community quantitative quotas should be that the volumes admitted under the present import conditions should be progressively adapted to market supply requirements;

Whereas the Agreement provides in respect of another textile product for the suspension by the Community of the quantitative restrictions on imports, together with a special consultation procedure enabling safeguard measures to be adopted where there is a risk of market disruption;

Whereas products brought into the customs territory of the Community under the inward processing traffic system or temporary entry arrangements and re-exported from that territory without further processing or after undergoing working should not be set off against the Community quantitative quotas or the voluntary restraint measures adopted in respect of exports to certain Member States;

HAS ADOPTED THIS REGULATION :

Article 1

The Agreement between the European Economic Community and the Islamic Republic of Pakistan on trade in textile products, the text of which is set out in Annex I to this Regulation is hereby concluded on behalf of the Community.

Article 2

The President of the Council is hereby authorized to designate the person empowered to sign the Agreement and to confer on him the powers he requires to enter into an undertaking on behalf of the Community.

Article 3

1. Imports into the Community of the textile products on the list in Annex II originating in and coming from Pakistan shall be subject to Community quantitative quotas.

2. The volumes of the quotas for 1975, 1976 and 1977 are fixed in the list referred to in paragraph 1.

However, the volumes of the quotas fixed for 1975 are reduced by the amount of imports effected in that year before the entry into force of the Agreement.

3. The quotas shall be allocated, in accordance with the procedure laid down in Article 11 of Regulation (EEC) No. 1023/70, in such a way as to ensure the expansion and orderly development of trade in textiles and to permit carryover and carryforward from year to year.

The allocation shall be made, however, on the basis of the import volumes admitted on the conditions currently applied in the Member States and

shall provide for annual rates of increase that are appreciably higher for the Member States whose import volumes are relatively the lowest so as to adapt them progressively to market supply requirements.

4. Import authorizations shall be granted in accordance with the system of double checking defined in the Agreement.

5. Products brought into the customs territory of the Community under the inward processing traffic system or temporary entry arrangements and re-exported from that territory without further processing or after undergoing working shall not be set off against the quotas provided for in paragraph 1.

Article 4

Imports into the Community of textile products referred to below, originating in and coming from Pakistan, shall not be subject to quantitative restrictions :

62.02, 41-43-47 Cotton household linen.

Article 5

Imports into the Community of the textile products referred to below, originating in and coming from Pakistan and accompanied by a certificate issued and endorsed by the relevant Pakistani authorities in accordance with the provisions of the Agreement, shall not be subject to quantitative restrictions:

- (1) cotton handloom fabrics of the cottage industry containing not more than 5 % by weight of manmade fibres; being fabrics which are both traditionally of the kind woven on handlooms and actually woven on a loom for which the motive power is provided entirely by the operators (that is where the three primary movements of weaving namely shedding, picking and beating, are induced by hand or foot and no other source of power is used);

- (ii) goods made up by the cottage industry from such cotton handloom fabrics;
- (iii) traditional Pakistani folklore handicraft textile products cut, sewn or otherwise fabricated by hand in cottages which are units of the cottage industry.

Article 6

1. This Regulation shall enter into force on the third day following its publication in the Official Journal of the European Communities.
2. Articles 3, 4 and 5 inclusive shall apply from the date of entry into force of the Agreement.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done At Brussels,

For the Council
The President

The Council of the European Communities
of the one part,

The Government of the Islamic Republic of Pakistan
of the other part,

Desiring to ensure the orderly and equitable development of trade
in textiles between the European Economic Community, hereinafter
called "the Community" and Pakistan,

Having regard to the provisions of the Arrangement regarding International
Trade in Textiles (hereinafter referred to as the Geneva Arrangement)
and especially its Article 4,

Have decided, in a spirit of mutual co-operation and in conformity
with the said Geneva Arrangement, to conclude this Agreement and to
this end have designated as their Plenipotentiaries :

THE COUNCIL OF THE EUROPEAN COMMUNITIES :

THE GOVERNMENT OF THE ISLAMIC REPUBLIC OF PAKISTAN :

Who have agreed as follows :

Article 1

1. The Parties recognise and confirm that, subject to the provisions of this Agreement and without prejudice to their rights and duties under the General Agreement on Tariffs and Trade, the conduct of their mutual trade in textiles shall be governed by the provisions of the Geneva Arrangement.

2. This Agreement shall apply to trade in those categories of textiles products, originating in and despatched from Pakistan, which are listed below and to those referred to in Article 5, paragraph 4 hereof.

BTN 55.09 (Cotton fabrics)

62.02 11, 71 and 73 (bed linen, toilet linen and kitchen linen of Cotton.)

3. Pakistan agrees to establish quantitative limits on exports to the Community in accordance with Annex I of this Agreement.

Quantities of the quota shares set out in Annex I not taken up by a member State of the Community may be re-allocated to another member State within the limits decided by the Community in accordance with the procedures in force in the Community. The Community undertakes to respond within 4 weeks of its receipt to any request made by Pakistan for such re-allocation. It is understood that any re-allocation so effected would not need to be confined within any limits set in flexibility provisions established elsewhere in this Agreement.

Article 2

1. Pakistan undertakes to ensure that its exports to the Community of textile products to which this Agreement applies do not exceed the quantitative limits established under the provisions thereof and shall cooperate with the Community in implementing the measures recognised in this Agreement as necessary for this purpose.

2. The Community undertakes, in respect of the categories of textile products to which the Agreement applies, and subject to the satisfactory operation of this Agreement, not to introduce new quantitative restrictions, to suspend the application of any at present in force and to refrain from invoking the provisions of Article 3 of the Geneva Arrangement provided that Pakistan does not exceed the quantitative limits established under the provisions of this Agreement.

Article 3

1. Imports into the Community of those textile products to which this Agreement applies, which are for immediate re-export or for inward processing and subsequent re-export outside the Community shall not be subject to quantitative limits established under this Agreement, provided they are entered as such under an administrative system of control in force for this purpose within the Community.

2. In any case where Community authorities ascertain that imports described in paragraph 1 above have been retained for consumption within the Community, the latter will notify the Government of Pakistan on a quarterly basis of the amounts involved. Pakistan shall in such cases and at the request of the Community, charge such amounts against the quantitative limit or limits in question for the current Agreement year or for the next following Agreement year.

3. In any case where the competent authorities within the Community ascertain under an administrative system of control in force that imports of textile products to which this Agreement applies have been charged against quantitative limits established under this Agreement but subsequently re-exported outside the Community, the competent authority concerned will inform the Pakistani authorities of the quantities involved and authorise imports of the same quantities which shall not be charged to the quantitative limits under the Agreement.

Article 4

1. The following Pakistani textiles products shall, subject to the conditions indicated hereafter, be admitted into the Community without quantitative limit :

- (i) cotton handloom fabrics of cottage industry, containing not more than 5 % by weight of man-made fibres, being fabrics which are both traditionally of the kind woven on handlooms and actually woven on a loom for which the motive power is provided entirely by the operators (that is where the three primary movements of weaving, namely shedding, picking and beating, are induced by hand or foot and no other source of power is used) ;
- (ii) goods made up by the cottage industry from such cotton handloom fabrics ;
- (iii) traditional Pakistani folklore handicraft textiles products cut, sewn or otherwise fabricated by hand in cottages which are units of the cottage industry.

2. Admission into the Community of these products without quantitative limit shall be subject to the satisfactory operation of agreed arrangements for certification.

Article 5

1. Both Parties agree to enter promptly into consultations with each other, at the request of either and in conformity with the provisions of the Geneva Arrangement, on any matter concerning their mutual trade in textiles and in particular on any problems arising from the application of this Agreement. Consultations held under the provisions of this Article shall be approached by both Parties in a spirit of compromise and with a view to the conciliation of differences existing between them.

2. Any request for consultations under this Agreement shall be accompanied by a factual statement of the reasons and justifications for its request.

3. The two Parties, unless agreed otherwise, will consult as soon as possible within 30 days of the request for such consultations, and will make their best efforts to complete such consultations within 30 days of their commencement.

4. Notwithstanding the generality of the provisions of paragraphs 1, 2, 3 and 7 of this Article, the Community may at any time request consultations with Pakistan :

- a) Whenever conditions in its market are such that a limitation of further trade in table linen (B.T.N. 62.02.41, 43 and 47) may be necessary to eliminate real risks of market disruption ;
- b) whenever imports into the Community of textile products of fibres other than cotton in direct competition with those which are within the categories listed in paragraph 2 of Article 1 and paragraph 4(a) of this Article cause or threaten to cause a real risk of market disruption such that the quantitative limits established under this Agreement could be evaded;
- c) whenever an excessive concentration of trade in any specific product within the categories listed in paragraph 2 of Article 1 and paragraph 4 (a) of this Article causes or threatens to cause a real risk of market disruption in respect of that product.

5. Pending a mutually satisfactory solution to the consultations described in paragraph 4 above, Pakistan shall limit exports of the product(s) in question to the Community to the greater of :-

(i) 107% of the exports of such product(s) to the Community during the most recent 12 month period preceding the month in which the request for consultations was made for which statistics are available to the two Parties;

(ii) the average annual exports of such product(s) from Pakistan to the Community for the most recent three year period preceding the month in which the request for consultations was made, for which statistics are available to the two Parties.

6. The procedure referred to in paragraph 5 above will only be resorted to sparingly and will be implemented in a manner consistent with the principles and objectives of the Geneva Arrangement.

7. In the event that the Parties are unable to reach agreement during the consultations provided for in this Article, either of the Parties may, as a participating country in the Geneva Arrangement, refer the matter to the Textiles Surveillance Body in accordance with Article 11 of the Arrangement. Either Party, choosing to adopt such a course of action, shall immediately notify the other of its intention.

Article 6

If, having regard to the provisions of the Geneva Arrangement, either Party considers that it is being placed in an inequitable position in respect of trade in textiles as compared with a third country, that Party may request consultations with the other with a view to seeking equitable solutions. Such consultations will be held and concluded promptly. The Parties will take such appropriate remedial measures as may be mutually acceptable and consistent with their international rights and obligations, including any necessary reasonable modification to this Agreement.

Article 7

1. (a) Within any one Agreement year, unused portions of quantitative limits established under this Agreement may be transferred to another quantitative limit so established, under the conditions set out below.

(b) Transfers may only be effected under this Agreement as follows :
 - (i) into category 55.09 (cotton fabrics) and, therein, into the sub-category ex-55.09 (cotton fabrics, other than grey and bleached) from the category 62.02 (11,71,73) (bed linen, toilet linen and kitchen linen of cotton), provided that such transfers do not exceed 10 % of the quantitative limit into which they are made;
 - (ii) into category 62.02 (11,71,73) (bed linen, toilet linen and kitchen linen of cotton) from category 55.09 (cotton fabrics), provided that such transfers do not exceed 7 % of the quantitative limit into which they are made;
 - (iii) within category 55.09 (cotton fabrics), into sub-category ex-55.09 (cotton fabrics other than grey and bleached), provided that such transfers do not exceed 7 % of the quantitative limit for the sub-category into which they are made.
2. Portions of any quantitative limit established under this Agreement which are not used during any Agreement year may be carried over and added to the corresponding quantitative limit in the following Agreement year, within a limit of 10 % of the latter.
3. Within a limit of 10 % of each of the quantitative limits established under this Agreement, advance deliveries shall be authorised from the corresponding quantitative limit established for the following Agreement year. Amounts delivered in advance shall be deducted from the quantitative limits for the products in question for the following Agreement year.
4. The preceding flexibility provisions shall not, in any given Agreement year, result in any quantitative limit for any category being exceeded by more than 15 % of the quantitative limit for that category for that Agreement year.

Article 8

Pakistan shall ensure that exports of all textiles products restrained under this Agreement are spaced out regularly over each of the Agreement years, due account being taken, in particular, of seasonal factors.

Article 9

The Parties recognise that the successful implementation of this Agreement depends in large part upon mutual cooperation on statistical questions. Pakistan therefore agrees to furnish to the Community precise statistical information, on a quarterly basis, of all export authorisations issued by the Pakistani authorities for all categories of textiles exports to the Community to which this Agreement applies.

Article 10

Subject to the satisfactory operation of this Agreement and the communication of the relevant statistical data indicated in Article 9 above, the Parties agree that the quantitative limits established under this Agreement shall be managed under a system of double checking consisting of export control authorisations and automatic counterpart import authorisation.

Article 11

1. Both parties shall take all possible measures to ensure that traditional channels and methods of trade between the Community and Pakistan are maintained.

2. Should the Community inform Pakistan that the application of this Agreement has given rise to difficulties regarding the maintenance of existing commercial relations between importers in the Community and their suppliers in Pakistan the Parties agree to consult together in accordance with the procedures set out in Article 5 above.

Article 12

Without prejudice to the other provisions of this Agreement, Pakistan agrees that quantitative restrictions with regard to imports into Ireland of the following textile products from Pakistan may be maintained until 30.6.1977 at the latest in accordance with the rights enjoyed by Ireland under the Treaty by which that country acceded to the European Communities.

B.T.N. 55.05 Cotton yarn, not put by for retail sale
55.06 Cotton yarn, put by for retail sale
55.07 Cotton gauze.

Article 13

1. This Agreement shall enter into force on the first day of the month following the date on which the Parties have notified each other of the completion of the procedures necessary for the purpose. It shall remain in force until 31 December 1977.
2. This Agreement shall enter into force, in the manner defined in paragraph 1 of this Article, with effect from 1 January 1975.
3. Either Party may at any time propose modifications to this Agreement or denounce it provided that notice is given at least 120 days before the expiry of any twelve-month period; in the latter event the Agreement will come to an end on the expiry of the said twelve-month period.
4. The Annexes to this Agreement shall form an integral part thereof.

Article 14

This Agreement shall be drawn up in two copies in the German, French, Italian, Dutch, Danish and English languages, each of these texts being equally authentic.

ANNEX I

Products for which Pakistan will exercise restraint towards the whole Community from the entry into force of this Agreement

The Community hereby notifies Pakistan that the quantitative limits for the textile products listed below will be allocated between the Member States as follows :

Products category or sub-category	Member State	Quantitative limits (metric tons)		
		1975	1976	1977
55.09 Other woven fabrics of cotton of which ex 55.09 Cotton fabrics other than grey and bleached	FRG	1.650	2.028	2.437
	F	1.080	1.327	1.595
	I	1.729	2.049	2.399
	ENL	905	1.075	1.256
	UK	10.326	10.378	10.430
	Irl	677	680	683
	DK	671	693	710
	EEC	17.038	18.230	19.510
	FRG	75	85	95
	F	67	76	84
I	58	65	72	
ENL	38	43	48	
UK	381	386	390	
Irl	296	297	298	
DK	87	88	88	
EEC	1.002	1.040	1.075	
62.02.11.71.73 Bed linen, toilet linen and kitchen linen of cotton	FRG	285	333	387
	F	152	183	212
	I	257	274	291
	ENL	261	265	270
	UK	454	474	497
	Irl.	6	7	8
	DK	335	337	339
	EEC	1.750	1.873	2.004

ANNEX II

Handloom and textile handicraft articles

1. In accordance with Article 12, paragraph 3 of the Geneva Arrangement regarding International Trade in Textiles, the Community and Pakistan have agreed, in Article 4 of this Agreement on trade in textiles that, subject to certain conditions, Pakistani exports of certain handloom and textile handicraft products would be admitted into the Community without quantitative limit. The conditions set out in Article 4, paragraph 2 of the above-mentioned Agreement specifies that admission of such products into the Community without quantitative limit shall be subject to the satisfactory operation of agreed arrangements for certification.
2. The Community and Pakistan hereby agree that in carrying out the provisions of Article 4 of this Agreement the following form of certificate shall be used.

"Certificate in regard to cotton handloom fabrics and products thereof

Name and address of manufacturer
Name and address of exporter
Name and address of EEC importer
Description of goods
Quantity (metric tons)
Name of ship or flight number
Port or airport of destination

This is to certify that the above shipment is :

- (i) cotton handloom fabrics of the cottage industry, containing not more than 5 % by weight of man-made fibres, being fabrics which are both traditionally of the kind woven on handlooms and actually woven on a loom for which the motive power is provided entirely by the operators (that is where the three primary movements of weaving, namely shedding, picking and beating, are induced by hand or foot and no other source of power is used);
- (ii) Goods made up by the cottage industry from such cotton handloom fabrics;
- (iii) traditional Pakistani folklore handicraft textiles products cut, sewn or otherwise fabricated by hand in cottages which are units of the cottage industry.

Signed

3. The bodies which shall be authorised to issue the above certificates are :
4. In addition such descriptive certificate shall be endorsed by a Government agency to the effect that the consignment is approved for export, without any quantitative ceilings, as provided for in the Agreement on trade in textiles concluded between the Community and Pakistan and in the Geneva Arrangement regarding International Trade in Textiles.

Annex III

As agreed between the Parties in Article 10 of the Agreement, the administration of textiles imports from Pakistan will be based on a system of double checking. The details of this system have been agreed between the Parties and are set out below.

The competent authorities within the Community will, automatically and without delay, accept imports of textile products on submission of the importer's application together with the original export licence. The competent authorities within the Community shall be entitled to require the presentation of an export licence in respect of goods originating in Pakistan of the categories shown in Annex I and in any case where the provisions of Article 5 have been invoked. These export licences will be issued by the Pakistani authorities up to the total amount of the agreed ceilings.

The export licences issued by the Pakistani authorities shall be applicable to the products subject to restraint under the Agreement.

The export licence must specify :

1. destination
2. serial number
3. importer's name and address
4. exporter's name and address
5. net weight (in kilograms or metric tons) and value
6. category and description of product
7. certificate issued by the Pakistani authorities showing that the quantity has been debited against the agreed ceiling for exports to the Community or, where appropriate, is for immediate re-export or for inward-processing and subsequent re-export outside the Community.

The competent authorities within the Community will not raise difficulties in the event of a discrepancy between the weight indicated in the export licence and the shipment or import weight provided it is within reasonable limits, while the Pakistani authorities, for their part, will endeavour to keep any discrepancies to a minimum.

Annex III cont'd

In the event of total or partial withdrawal of an export licence, the Pakistani authorities will notify the competent authorities within the Community of such total or partial withdrawal. The authorities of the Member States of the Community will take the appropriate measures in accordance with their existing administrative provisions.

The Pakistani authorities will forward to the authorities of the Member States of the Community, via the Embassies of the Member States of the Community and directly to the Commission, quarterly returns showing the total net weight in metric tons covered by the export licences issued against the ceilings for exports to the Member States of the Community for all categories of textiles exports to the Community to which this Agreement applies.

ANNEX IV

Conversion Factors

In the course of negotiating the Agreement, it was noted that restrictions previously in force in one member State had been expressed in square yards, whereas under the Agreement metric weight units are used for the Community as a whole. It was further noted that in order to arrive at base levels for quantitative limits in the new Agreement the relationship between square yards and metric tons had been directly derived from customs statistics relating to imports of the products in question from Pakistan.

The Pakistani delegation expressed concern lest, nevertheless, the effect of this change might prove to be restrictive in terms of the trade opportunities provided. For the avoidance of doubt, it was confirmed on behalf of the Community that the change of unit of measurement was in no way intended to have this effect.

It was further agreed that for a transitional period of two years (1975 and 1976) the Customs authorities of the Member State concerned (the United Kingdom) would maintain a running check on both the tonnage and square yardage of imports from Pakistan and that if during this transitional period the square yard equivalent of the quantitative limits expressed in tons was not reached, additional imports would be accepted to a level not exceeding the square yard equivalent derived as indicated above. In case a new ratio emerges by the end of 1976, the quantitative limit for 1977 expressed in tons, will be fixed on the basis of new ratio and appropriate growth factor.

ANNEX II

Community ceilings

CCT heading No.	Description	Volumes (in metric tons)		
		1975	1976	1977
55.09	Woven fabrics of cotton	17 038	18 230	19 510
of which				
ex 55.09	Woven fabrics of cotton, other than unbleached or bleached	1 002	1 040	1 075
62.02.11	bed linen, toilet linen and			
71.73	kitchen linen of cotton	1 750	1 873	2 004

