

# COMMISSION OF THE EUROPEAN COMMUNITIES

COM(76) 326 final.

Brussels, 23 June 1976.

Draft ACP-EEC Council of Ministers Decision derogating  
from the concept of originating products in order to  
take into account the special situation of Mauritius  
with regard to certain products of the textile industry

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(submitted to the Council by the Commission)

COM(76) 326 final.



## Explanatory Memorandum

### I. Submission of the request

By letters of 19 September 1975 and 2 April 1976 the Government of Mauritius forwarded to the Commission through its Chargé d'Affaires in Brussels, a request for derogation from the definition of the concept of originating products in respect of an annual quantity of 3 000 000 m of unbleached fabrics over a period of two years.

These 6 000 000 m represent 1 664 t and according to the letter of 2 April 1975 they would be broken down as follows:

United Kingdom	: 2 020 000 m (575 t)
Federal Republic of Germany	: 1 040 000 m (254 t)
France	: 1 100 000 m (524 t)
Belgium	: 1 840 000 m (311 t).

Mauritius wants to create an integrated textile chain from spinning to the finished product via the weaving, bleaching, dyeing and printing stages. Unfortunately Mauritius does not have sufficient capital to construct all the necessary plants at the same time and, if it began with the spinning unit, would have no immediate way of using the yarn produced. It was decided, therefore, to begin by building a weaving unit which would use imported yarn, mainly from Pakistan, in order to produce unbleached fabrics intended primarily for export to the Community countries.

Then the bleaching, dyeing and printing unit as well as the spinning works would be constructed some two years after the weaving unit started operating. Mauritius would thus have an integrated textile complex and the finished products would be fully entitled to originating status, whereas, as in the first stage planned - fabrics manufactured from non-originating yarn - they do not meet the conditions for acquiring this status, namely manufacture from raw cotton, cotton waste or carded cotton.

Forty-five per cent of the capital is Mauritian, 25% Pakistani, the yarn would come from Pakistan and India, the industrial equipment was bought in Belgium and Germany and sales contracts have already been signed with French, Belgian, German and British firms. According to recent information, production tests are under way.

The Government of Mauritius has stressed the vital role of this textile complex and considers a temporary derogation from the rules of origin essential; moreover, this request was the subject of an agreement among the ACP States. It is based on the provisions of Article 27 of Protocol No 1 to the Lomé Convention and on paragraphs 4 and 5 of Annex IX to Protocol No 1.

Since this request was presented by all the ACP States during a meeting of the Customs Cooperation Sub-Committee on 16 February 1976, the maximum period of six months stipulated in Article 27 of Protocol No 1 will expire in mid-August. As a decision must be reached by that date, it would be advisable for this matter to be examined at a meeting of the ACP-EEC Council of Ministers which could be held in July.

## II. The Commission's opinion

The arguments put forward by Mauritius comply with the criteria laid down in the Convention. The request relates to the creation of a new industry (Article 27 of Protocol No 1) and the products to be used originate in developing countries (India, Pakistan) with which Mauritius has a special relationship (Annex IX (5)).

From the economic point of view it is pointed out by the relevant Commission departments that the Mauritian request concerns an extremely sensitive industrial sector. At present the Community textile industry is facing real difficulties connected to a large extent with the imports of cotton fabrics from developing countries, and to import any additional quantities could aggravate an already delicate situation.

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It should be noted, however, that the quantities in question (1664 t) are fairly modest in relation to the Community's total imports of cotton fabrics, which amounted to 168 761 t in 1974.

Moreover, zero duty tariff quotas were opened for certain developing countries under the generalized system of preferences, amounting to 8802 t in 1976, and additional imports may still be effected under the same conditions within the Community ceiling. The textile agreements provide for quotas of about 127 000 t (although without any tariff concessions). The question may be asked, therefore, whether the 1664 t which are the subject of the request for derogation are likely seriously to disturb the balance of the textile sector and since, as the Mauritian authorities have assured the Community, the fabrics produced from 1978 on will have originating status and may therefore be imported freely, postponing access to the EEC market by two years risks being more politically disadvantageous than economically effective.

It may also be pointed out that it is a question here of unbleached cotton fabrics, to be processed in the Community by textile firms and that this will have beneficial effects for these firms.

Since this first - and only - request for derogation complies with the criteria laid down in Protocol No 1 to the Lomé Convention and in Annex IX to that Protocol and since it does not seem to constitute a serious threat for the Community because of the modest quantities involved, the Commission proposes to meet the Mauritian request and to accord the derogation. In order to disturb traditional trade flows as little as possible, however, this derogation should in any case not exceed a period of two years, regardless of the state of integration reached at the end of that period by the textile complex being set up and whatever the quantities delivered.

The Commission therefore proposes the following draft decision:

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THE ACP-EEC COUNCIL OF MINISTERS,

Having regard to the Lomé Convention signed on 28 February 1975  
between the European Economic Community and the African, Caribbean  
and Pacific States,

Having regard to the proposal from the Commission,

Having regard to the report of the Customs Cooperation Committee,

Whereas Article 27 of Protocol No 1 to the Lomé Convention concerning  
the definition of the concept of 'originating products' and methods  
of administrative cooperation provides for derogations from the said  
rules of origin, notably to facilitate the development of existing  
industries or the creation of new industries;

Whereas the Government of Mauritius has submitted a request for a two-  
year derogation from the definition set out in Protocol No 1 to the  
Lomé Convention for textile products manufactured in that State;

Whereas in order to take into account the special situation of Mauritius  
and to enable the industrial sectors concerned to set up new industrial  
plants which necessitate derogations from the said Protocol, provision  
should be made for a two-year derogation from the definition set out  
in the Protocol referred to above,

HAS DECIDED AS FOLLOWS:

Article 1

By way of derogation from the special provisions of List A in Annex II  
to Protocol No 1 to the Lomé Convention concerning the definition of  
'originating products' and methods of administrative cooperation,  
textile products manufactured in Mauritius and falling within tariff  
heading No ex 55.09 "unbleached woven fabrics of cotton", shall be  
considered as originating in Mauritius under the conditions set out  
below.

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## Article 2

This derogation concerns the following quantities:

- from 1 July 1976 to 30 June 1977:  
ex 55.09: unbleached woven fabrics of cotton: 832 metric tons
- from 1 July 1977 to 30 June 1978:  
55.09: unbleached woven fabrics of cotton: 832 metric tons

## Article 3

The movement certificates EUR 1 issued pursuant to this Decision shall be endorsed with one of the following phrases:

- "marchandises réputées originaires en vertu de la décision n° /76  
du Conseil des Ministres ACP-CEE"
- "Ursprungserzeugnisse im Sinne gemäss Beschluss Nr. /76 des  
Ministerrates AKP/EWG"
- "merci originarie in virtù della decisione n. /76 del  
Consiglio dei Ministri ACP-CEE"
- "goederen van oorsprong uit hoofde van Besluit Nr. /76 van  
de ACS-EEG Raa. van Ministers"
- "originating products by virtue of ACP-EEC Council of Ministers  
Decision No /76"
- "varer med oprindelsesstatus i henhold til Den beslutning nr.  
/76 af Ministerradet ASV-~~EF~~"

This endorsement shall be entered under the heading 'Remarks'.

## Article 4

The competent authorities of Mauritius shall forward to the Commission<sup>1</sup> every three months a statement of the quantities in respect of which movement certificates EUR 1 have been issued pursuant to this Decision, indicating the Member States of destination.

## Article 5

The ACP States, the Member States and the Community shall, each one for its part, take the measures required for implementation of this Decision.

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Article 6

This Decision shall enter into force on 1 July 1976.

It shall be applicable, on a pro rata basis as regards the quantities, until 30 June 1978.

Done at

For the ACP-EEC Council of Ministers

The President