

EUROPEAN BACKGROUND INFORMATION COMMUNITY

EUROPEAN COMMUNITY INFORMATION SERVICE

2100 M Street NW, Washington DC 20037 Telephone (202) 872-8350

New York Office: 245 East 47th Street, New York NY 10017 Telephone (212) 371-3890

BACKGROUND NOTE

No. 28/1977

November 21, 1977

EUROPEAN COMMUNITY IMPORT ARRANGEMENTS FOR TEXTILE PRODUCTS FROM 1978

The European Community is negotiating with those countries that supply most of its textile imports with the purpose of establishing a new set of bilateral agreements under the Arrangement regarding the International Trade in Textiles (MFA) (I). The negotiations will be either for formal agreements under the MFA, or suitable agreements with the supplier countries. (These are listed in the annex).

The Community continues to attach great importance to the MFA, in particular the objectives set out in Article I thereof, namely:

- the expansion and the progressive liberalization of world trade in textile products;
- the orderly and equitable development of this trade and avoidance of disruptive effects in individual markets and on individual lines of production in both importing and exporting countries.

With regard to the first objective, experience of the application of the MFA has shown that:

- the developing countries, both individually and collectively, have greatly increased their exports;
- the Community has absorbed the bulk of the increase;
- the Community has, for its part, advanced in the direction of liberalization of trade in textiles.

This objective can therefore be considered to have been substantially achieved.

With regard to the second objective, on the other hand, it is clear that from the Community's standpoint the development of trade in textile products has not been orderly and equitable. The result has been serious disruption of markets in the Community.

It is therefore necessary for the Community to seek stabilization of the rates of penetration in certain products by comparison with 1976 levels. For those products, the rate of growth must be minimal; however, overall, the Community intends to allow a growth in imports of textile products corresponding to 6 per cent as required by the MFA. The Community also believes that more favorable treatment must be given to small suppliers and newcomers to the market and that supplier countries having a dominant position on the Community market should accept a more equitable redistribution of import opportunities.

If the Council of the European Community is satisfied with the outcome of the negotiations, it may approve the extension of the MFA in its present form for a further four years. If the negotiations fail, or the outcome is incomplete or inadequate, the Community could decide to introduce unilateral arrangements to regulate textile imports from 1 January, 1978.

WHY DOES THE COMMUNITY NEED TO REGULATE TEXTILE IMPORTS ?

Severe disruption in the Community market has been caused by the swift growth in textile imports from supplying countries whose production costs are too low in relation to those of the Community.

The nature of Europe's problem becomes clearer when it is realized that imports of textiles into the EEC, expressed in terms of tonnage, increased by 80 per cent between 1973 and 1976; in 1976 they amounted to \$ 9,300 million. 72 per cent of the growth in world imports was accounted for by imports into the EEC between 1973 and 1975. It is also worth considering that:

1. On average, 4,000,000 tons of textile manufactures and garments are bought every year by consumers in the Community.
2. The Community's own industry processes an average of 3,400,000 tons a year.
3. Community imports average 1,500,000 tons a year.
4. Its exports average 900,000 tons a year.
5. The Community's textiles deficit therefore averages 600,000 tons a year.
6. The Community's previous policies for opening up its markets meant an increase in this deficit (as recently as 1973 the Community more or less balanced its trade figures). The deficit was partly absorbed by economic growth, and market forces alone led to a certain amount of industrial reorganization. Now, however, economic growth is passing through a difficult period and consumption of textiles has fallen not only in terms of growth but in real terms. Because of its impact on employment, reorganization has become that much more difficult.

7. Here are the figures for the various processing stages as they affect employment:

-cotton yarn: per 1000 t deficit, loss of	160 jobs in spinning
-woven cotton	-----
fabrics: per 1000 t deficit, loss of	160 jobs in spinning
	300 jobs in weaving

	460 jobs lost

-shirts: per 1000 t deficit, loss of	160 jobs in spinning
	300 jobs in weaving
	1,200 jobs in garment making

	1,660 jobs lost

Thus, although the effect is felt at all stages of manufacture, it is for the finished product that competition is most severe.

HOW WILL EUROPE TACKLE THE PROBLEM OF TEXTILE IMPORTS ?

First, by restoring proper order to the whole system of textile imports into the Community. From 1 January 1978 a system of surveillance and control will be established applying to all textile imports from all sources, in order to provide detailed, precise and rapid information which will give Community authorities a better knowledge of import flows.

Secondly, it will also be necessary to establish new rules of origin covering all textile products, in order to prevent the abuses and deflections of trade which can occur.

Thirdly, any further opening up of markets must be accompanied by adequate reciprocity from the Community's trading partners, in both the tariff and non-tariff fields.

Fourthly, states which have concluded preferential agreements with the Community will be asked to play their part in the attempts to moderate the growth of textile imports. Account will be taken in this context of their contractual ties with the Community.

Fifthly, the textiles GSP for 1979 will be revised and improved, in order to achieve a substantial increase in the GSP volume for textiles, while granting more generous treatment to those countries having made significant concessions under bilateral agreements with the Community.

Lastly, this integrated policy for opening up the markets will be backed up by a real industrial policy. Indeed, the whole external policy would be compromised if the Community's textile industries proved unable to adapt to the new situation and to speed up and intensify their restructuration.

This overall approach is designed to ensure a balance of advantages and concessions for the Community and each of the other countries concerned.

The Community's treatment of the individual supplying countries will also be influenced by factors such as their level of development and structure of exports, etc.

In exchange for slower growth in textile imports over the next four years (an average of 6 per cent per year, rather than the former figure of 22 per cent), the Community will be offering security in the administration and utilization of the ceilings and limits agreed on. This element of security is vital both for the trade and for the exporting countries, and it is well known that market disruption and security do not go together. It will accordingly be necessary to take the necessary steps to preventing the introduction of national measures or obstacles to trade which could have the effect of undermining the desired security.

LIST OF SUPPLIER COUNTRIES WITH WHICH AN AGREEMENT OR BILATERAL ARRANGEMENTS WILL BE REQUESTED

Hong-Kong	Uruguay	Turkey
India	Argentina	Spain
(Taiwan = independent measures)	Philippines	Israel
Brazil	Sri Lanka	Egypt
Yugoslavia	Guatemala	Morocco
Pakistan	Indonesia (1)	Tunisia
Thailand	_____	Portugal
Macao		Greece
Malaysia	Romania	
Columbia	Hungary	
Singapore	Poland	
Mexico		
Korea		

(1) Indonesia is not yet a member of the M.F.A., but intends to join this arrangement. NB regarding Japan, negotiations should be undertaken to eliminate remaining quantitative restrictions and the clause concerning consultations as well.

COMMUNITY TEXTILE TRADE FIGURES

1. OVERALL BALANCE FOR THE COMMUNITY'S TEXTILE TRADE

	<u>Imports</u>	<u>Exports</u>	<u>Balance</u>
1974	1,122,595 t	959,890 t	- 162,705 t
1975	1,196,661 t	813,764 t	- 382,897 t
1976	1,492,414 t	923,161 t	- 569,253 t

The deficit has increased by 249% over 3 years.

2. TEXTILE BALANCE WITH INDUSTRIAL MARKET ECONOMY COUNTRIES

	<u>Imports</u>	<u>1976</u>	<u>Exports</u>	<u>Balance</u>
Tonnes	511,891		537,841	+ 25,950
1,000 u.a.	3, 211,712		3,954,434	+ 742,722

3. TEXTILE BALANCE WITH DEVELOPING COUNTRIES

	<u>Imports</u>	<u>1976</u>	<u>Exports</u>	<u>Balance</u>
Tonnes	783,270		291,713	- 491,557
1,000 u.a.	3,691,636		1,464,045	-2,227,591

breakdown:

Hong Kong

Tonnes	151,711		8,092	- 143,619
1,000 u.a.	1,197,250		75,901	- 1,121,349

Korea

Tonnes	69,515		837	- 68,878
1,000 u.a.	263,424		4,200	259,224

Taiwan

Tonnes	61,424		666	- 60,758
1,000 u.a.	454,178		5,332	- 448,846

India

Tonnes	131,370		463	- 130,907
1,000 u.a.	347,066		2,411	- 344,655

Brazil

Tonnes	50,830		3,820	- 47,010
1,000 u.a.	134,508		16,311	- 118,197

4. TEXTILE BALANCE WITH STATE-TRADING COUNTRIES

	<u>Imports</u>	<u>1976</u>	<u>Exports</u>	<u>Balance</u>
Tonnes	197,253		93,607	- 103,646
1,000 u.a.	878,540		549,274	- 329,266

COMPARISON OF TEXTILE TARIFFS

I. Average tariffs

	<u>EEC</u>	<u>USA</u>	<u>JAPAN</u>
- All textile products			
- not weighted (1)	9.6 %	16.9 %	11.9 %
- weighted (2)	10.1 %	21.1 %	7.4 %
- tariff headings subject to duty			
- not weighted (1)	10.4 %	17.6 %	13.0 %
- weighted (2)	14.4 %	23.9 %	13.5 %

(1) Simple arithmetical average of rates

(2) mfn weighted average

II. Distribution of imports by volume : mfn origin

Level of duties

Level of duties	<u>EEC</u>		<u>USA</u>		<u>JAPAN</u>	
	AH	DH	AH	DH	AH	DH
0						
0.1 % - 5.0 %	30.0 %	-	12.0 %	-	45.0 %	-
5.1 % - 10.0 %	2.0 %	3.0 %	2.0 %	2.0 %	2.0 %	4.0 %
10.1 % - 15.0 %	13.0 %	19.0 %	12.0 %	14.0 %	18.0 %	33.0 %
15.1 % - 20.0 %	17.0 %	24.0 %	12.0 %	14.0 %	16.0 %	29.0 %
20.1 % - 25.0 %	38.0 %	54.0 %	11.0 %	12.0 %	12.0 %	21.0 %
25.1 % - 30.0 %	0.3 %	0.4 %	11.0 %	13.0 %	6.0 %	12.0 %
30.1 % - 40.0 %			6.0 %	7.0 %	1.0 %	1.0 %
40.1 % - 50.0 %			30.0 %	34.0 %		
			4.0 %	4.0 %		

AH = all tariff headings

DH = dutiable tariff headings

NB imports bearing zero duty ratings are almost entirely composed of primary products (but untreated wool is subject to tariff in the USA)

(contd)

COMPARISON OF TEXTILES TARIFFS

	EEC average	USA average	JAPAN average	TAIWAN average	BRAZIL	K OREA
Cotton yarn	6.9 %	8.8 %	9.5 %	33 - 46 %	85 %	40 %
Woven fabrics of man made staple fibre	16.0 %	34.3 %	19.4 %	104 %	155 %	60 %
Socks & stockings	13.0 %	29.2 %	12.7 %	72 - 130 %	155 %	100 %
Men's outer garments	17.0 %	24.2 %	17.5 %	65 - 130 %	105 %	80 %
Women's outer garments	17.0 %	17.8 %	18.3 %	65 - 130 %	105 %	100 %

Source : tape recordings sent by the countries concerned to the GATT Secretariat - Products broadly fall within CCT chapters 50-63 + part of chapter 65.