

# INFORMATION

EXTERNAL RELATIONS

EUROPEAN COMMUNITY TEXTILE AGREEMENTS UNDER THE INTERNATIONAL ARRANGEMENT FOR  
TRADE IN TEXTILES

131/76

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1. THE EUROPEAN COMMUNITY AND THE MFA :

The draft of the arrangement regarding the trade in textiles was completed in GATT at Geneva on 20 December 1973. It was accepted by almost 50 countries and came into force as from 1 January 1974. It replaces the long-term agreement on cotton textiles, which dated from 1962 and had expired.

This is an international arrangement, motivated and made possible by the unsatisfactory condition of the world textile trade. It covers a duration of four years and is not limited to cotton textiles, as was the long-term agreement. It extends to most textile products, including not only cotton and wool, but also artificial and synthetic fibres. It is for this reason that it came to be known as the "multifibres" agreement.

This arrangement is intended to promote the ordered development of trade in such a way as to avoid disorganising markets in the importing countries. It takes particularly into account the prevailing conditions in developing countries and the need for securing them a substantial increase in the receipts from their textile exports.

Under Article 10 of the Arrangement, a Textile Committee has been set up, consisting of representatives of countries taking part in the Arrangement. Its mandate is to carry out such studies as may be commissioned by the participating countries, analyse the state of textile production and trade and collect the statistical information necessary for carrying out its task. In addition, it may be asked to advise on any conflict of views between participants regarding the interpretation or implementation of the MFA. Once a year it issues a survey of MFA operations.

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- L.T.A. = Long-term agreement on the international trade in cotton textiles (1962-73)
  - M.F.A. = Arrangement regarding the international trade in textiles (since 1974)
  - GATT = General Agreement on Tariffs and Trade .

The Committee has set up a Textile Supervision Board. Its job is to follow the operation of the MFA, and it is empowered, at the request of any MFA adherent, to settle disputes and if necessary to make recommendations. The Board has eight members appointed by MFA adherents under the chairmanship of M. Paul WURTH, former Swiss Ambassador to the European Communities.

As from the beginning of 1974, the participant countries undertook to introduce no new unilateral or bilateral restrictions on the trade in textile products except in cases specifically laid down in the Agreement.

Since the MFA relates to the international trade in textiles, it comes under the common commercial policy of the EEC. The negotiations for it were handled by the Commission, and it was adopted in the name of the European Economic Community on 21 March 1974, by decision of the EEC Council of Ministers.<sup>1</sup>

The main provisions of the Arrangement are broadly in line with the objectives of the European Community, and in many instances they are drafted in the form which the Community proposed. This is especially the case in Article 2, which deals with existing quantitative restrictions. These restrictions have to be notified to the Textiles Supervisory Board, and progressively withdrawn thereafter, unless they are :

- included in a programme of progressive elimination scheduled for completion by 31 March 1977 ;
- justified under the safeguard clauses for which there is provision in Article 3;
- imposed in virtue of bilateral agreements negotiated as provided in Article 4.

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<sup>1</sup> OJ No. L 18 of 30.4.74

Article 3 of the MFA, which lays down the conditions and criteria for recourse to safeguard measures, is in conformity with the Community's negotiatory aims. Provided the MFA criteria defining market disorganisation can be shown to be satisfied, the Community is entitled to apply safeguard measures to prevent or remedy any serious prejudice suffered by national producers, whether occurring throughout the European Community or only in one or more regions thereof.

## 2. BILATERAL AGREEMENTS - A MAJOR FACTOR IN EEC TEXTILE POLICY

The Community took the view that the chief aims of the MFA -- the ordered development of the trade -- could best be secured by the conclusion of bilateral agreements with the supplying countries as provided in Article 4 of the MFA.

It accordingly suggested the opening of negotiations for bilateral agreements with 17 textile exporting countries. These were: India, Pakistan, Hong Kong, South Korea, Singapore, Malaysia, Japan, Thailand, Macao (through Portugal), the Arab Republic of Egypt, Yugoslavia, Brazil, Colombia, Mexico, Poland, Rumania and Hungary. Twelve agreements have been made, or at least initialled (June 1976).

The principal aims of the negotiations are :

- to obtain adequate guarantees against the effective risk of market disorganisation;
- progressive and well-ordered liberalisation of the trade;
- to seek a better balance inside the Community.

Provisions common to all the agreements :

The agreements to be negotiated are essentially based on the principle of voluntary limitation of exports by the countries concerned.

The products covered by the agreements are determined selectively in such a way as to apply only to products in respect of which it has been seen that there is a real risk of market disturbance.

In these cases the exporting countries undertake to keep their exports to the Community of a limited number of textile products below fixed ceilings or maxima, but subject to the provision that there shall be no limitation of temporary imports, or in respect of artisan products.

These self-imposed ceilings are subject to an annual rate of increase. Moreover, in order to secure a better distribution of the quantities imported between the different Community countries, these annual increases are sub-divided in such a way that member countries which are small importers will be enabled to admit larger quantities.

In the administration of these agreements, and with a view to ensuring maximum use of the ceiling authorisations, there are arrangements for adjustment between the ceilings.

The administration of the ceilings is usually subject to the system of double control, so that the Community authorities can keep themselves informed regarding the flow of trade.

In general, the bilateral textile agreements contain special arrangements for a consultation procedure to avoid any real risk of disturbance in the Community market for other sensitive products.

This special consultation clause can be applied on a regional basis, so that it may be limited to one or other of the EEC countries. It enables the Community to obtain self-imposed ceilings for specific articles. Products not covered by the agreements are to be subject to the suspension of all existing restrictions, either immediately or in virtue of a programme for their gradual removal.

### 3. AGREEMENTS WITH ASIAN AND FAR-EASTERN COUNTRIES

The scope of the different agreements differs with the content of the export trades to which they relate. For some particularly competitive countries it covers all textile fibres; whereas for some of the other suppliers the coverage is limited to a few cotton products.

By a decision dated 15 October 1974, the EEC Council of Ministers authorised the Commission to begin negotiations with India and Pakistan.

The agreement with India was signed on 24 October 1975. It covers the period between the beginning of 1975 and the end of 1977.

It will thus be in force for three years ending 31 December 1977. It relates to cotton fabrics, cotton underwear and cotton haberdashery. The rate of increase applicable to the Community ceilings is about 7 % per annum.

The agreement with Pakistan was also signed in Brussels on 24 October 1975. The operative principles are the same, and it applies to exports to the Community of cotton fabrics and certain types of household napery of cotton.

The Council of Ministers' directive to the Commission to cover negotiations with Hong Kong and South Korea were dated 11 February 1975. The agreement with Hong Kong, initialled in Brussels on 13 August 1975, also covers a period of three years beginning 1 January 1975. It came into force on 18 July 1975, providing quantitative ceilings for exports of 14 classes of textile products from Hong to the Community, and certain additional limitations regarding the Community market in some of the member countries.

The agreement with South Korea, also for a three-year period, was initialled on 28 November 1975. South Korea is to limit exports under nine textile headings (including pullovers, rainwear, jackets, mens' shirts and womens' underwear). There are also "regional restrictions" relating

to five other products (including stockings and gloves) applying to specific EEC countries.

On 16 June 1975 the Council adopted directives to the Commission to open negotiations with Macao, Singapore and Malaysia. The agreements with Singapore and Macao were initialled on 27 September (the negotiations for the Macao agreement were carried out with Portugal). Both for Singapore and Macao the Community ceilings for the export restriction cover the trade in trousers; and there are regional restriction measures for various other articles of made-up textiles. The agreement with Singapore is for three years from 1 January 1975; and that with Macao, which also expires on 31 December 1977, came into operation only on 1 October 1975.

The textile agreement with Malaysia was initialled on 23 October 1975, and provides a Community ceiling for Malaysian exports of mens' shirts. Quantitative limitations on the regional basis are also laid down for fabrics, pull-overs and trousers. The agreement relates to the period from 1 November 1975 to 31 December 1977.

By a verbal note of 19 March 1975, the Commission offered negotiatory consultations to Japan. On 10 July following, the Council authorised the Commission to negotiate an agreement with Japan which was in fact initialled in Brussels on 12 December 1975. This agreement has to allow for the special structure of the trade, in which Japan is both an exporter of textiles to the Community and an importer from it.

The agreement provides for a consultation procedure on all problems arising from the textile trade in either direction. In conformity with this procedure, Japan has agreed to limit its exports to the Community of certain fabrics of synthetic fibre and cotton mixtures. For five other products, too, it has agreed to limit its exports to specific regions in the EEC market. The agreement is for two years beginning 1 January 1976.

On 24 February 1976, the EEC Council authorised the Commission to open negotiations with Thailand.

4. AGREEMENTS WITH MEDITERRANEAN COUNTRIES :

Yugoslavia was not a member of the LTA, and the Community had made with it an agreement covering the trade in cotton goods over the years 1973 and 1974. When the Community was drawing up its offer of generalised preferences <sup>1</sup> it had taken the view that duty preferences for cotton goods, and products capable of serving as a direct substitute, should be given to countries which were members of the LTA, or had undertaken similar commitments. When the agreement with Yugoslavia expired at the end of 1974, both parties agreed that it should remain in force de facto, pending the conclusion of a new agreement reflecting the fact that Yugoslavia is now a party to the MFA.

In March 1975 Yugoslavia was advised by the Commission of the Community's wish to open negotiations, and this was followed on 19 December 1975, by the adoption of the necessary directive by the Council and its authorisation of the opening of negotiations.

This resulted in the initialling of an agreement on 25 June 1976, covering the years 1976 and 1977. It provides quantity limitation on exports to the Community of cotton fabrics and household napery, and lays down a consultation procedure regarding made-up textiles and various other products.

On 24 February 1976 the Council authorised the Commission to open negotiations with the Arab Republic of Egypt. Under the LTA the Community had made an Agreement with Egypt, aimed at the ordered expansion of the trade in cotton textiles; and after this agreement had expired the same arrangements had been maintained with a view to further negotiations. The latter were concluded on 14 May 1976 by the making of a new agreement, essentially angled on special arrangements for consultation and the removal by the Community of all quantitative restrictions. This agreement covers the calendar year 1977.

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<sup>1</sup> This system consists of total customs franchise for all non-agricultural manufactured goods, and partial franchise without any limitative ceilings for certain processed agricultural products.



## 5. AGREEMENTS WITH LATIN-AMERICAN COUNTRIES

On 18 March 1975, the Commission was authorised to negotiate with Brazil.

The agreement, initialled on 1 April 1976, covers the two-way trade in textiles in 1976 and 1977. It lays down a Community ceiling for imports of four classes of cotton textiles -- yarns, grey cloth, finished piecegoods and household napery.

The negotiations between the EEC and Colombia were concluded on 28 April last. This was the first agreement made between the Community and Colombia. It applies to a limited number of textile headings -- cotton yarns, cotton and synthetic piecegoods.

The basis of the agreement is a consultation procedure under which quantity limitations can be laid down for the whole Community market or for specific parts of it, when there is a real danger that imports of any of the products to which the agreement relates may lead to disturbance and disorganisation in a market inside the Community. In the course of these negotiations Colombia agreed to set a limit on its exports of certain products covered by the agreement to specific parts of the Community market.

Between the Community and Mexico a first phase of negotiation was held in Brussels on July 29-30 1975. After rather a long adjournment of the negotiations they were resumed last month, but agreement was not reached. They are to be renewed later.

Meantime, because of the increase in Mexican exports of cotton yarns into the Benelux market and the resulting market disturbance, quantity limitations have been laid down unilaterally under Article 3 (safeguard clause) of the "multifibres" Arrangement.

6. AGREEMENTS WITH EAST-EUROPEAN COUNTRIES

On 24 March 1975, the Community offered to negotiate bilateral textile agreements under Article 4 of the MFA with three East-European countries (Rumania, Hungary and Poland), which were signatories to the multifibres Arrangement. This "sector" offer, however, does not replace the offer to negotiate general trade agreements made in November 1974. The offer of negotiations under Article 4 was accepted by Rumania on 8 January 1976.

On 15 March 1976 the Council authorised the Commission to open the Rumanian negotiation. If these are successful they will result in the first formal agreement by the Community with an East European country.

Negotiations were opened on 31 March and 1 April 1976. A second phase was held in May and the discussions are to be continued shortly.

Hungary and Poland have not yet finally accepted the negotiation proposed by the Community.

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The bilateral textile agreements entered into by the Community under the multifibres Arrangement are contributing to putting the import potential of each Community country onto a more definite basis, and thus helping to create a common market in textile products. One of the benefits has been the maintenance of well-ordered development in the textile trade, even during the recent recession.

Moreover, the agreements are gradually abolishing the obstacles to the textile trade, and should thus lead to a greater liberalisation of world trade in this sector, steering clear of the risk of disorganisation in the Community markets.

If the aims of the multifibres Arrangement are successfully secured, it will be a positive forward step in the multilateral trade negotiations

currently in progress.

The agreements, too, make for a growth in textile exports from developing countries, and thus help their economic systems at a key point. This is helpful to the Community in the fulfilment of the undertakings it has given to the countries of the Third World.

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WORLD TEXTILE INDUSTRY

Comparative importance of main economic zones in  
the world textile industry

|                           | 1963  | 1964  | 1974/63 |
|---------------------------|-------|-------|---------|
| World                     | 100 % | 100 % | 158     |
| Industrial countries      | 53.4% | 48.4% | 145     |
| EEC                       | 12.1% | 9.5%  | 126     |
| North America             | 4.5%  | 4.4%  | 156     |
| Developing countries      | 18.8% | 19.4% | 165     |
| Planned-economy countries | 27.8% | 32.2% | 187     |

Index of textile production (1970 = 100)

|                                  | 1958 | 1972 | 1973 | 1974 |
|----------------------------------|------|------|------|------|
| World                            | 60   | 110  | 117  | 117  |
| Industrial countries             | 60   | 109  | 116  | 112  |
| North America                    | 59   | 111  | 121  | 117  |
| EEC                              | 73   | 109  | 112  | 111  |
| EFTA                             | 61   | 108  | 107  | 106  |
| Developing countries             | 63   | 112  | 119  | 124  |
| Asia (excl. Israel<br>and Japan) | 68   | 108  | 112  | 114  |
| Planned economy<br>countries     | 54   | 112  | 119  | 126  |

Apparent world consumption of textile  
fibres by the main economic zones (1 000 tonnes)

|                           | 1971     | 1972     | 1973     |
|---------------------------|----------|----------|----------|
| Developed countries       | 11 834.7 | 12 779.2 | 13 851.8 |
| EEC                       | 3 520.7  | 3 783.6  | 4 057.7  |
| USA                       | 4 805.4  | 5 277.9  | 5 312.4  |
| Japan                     | 1 522.4  | 1 551.1  | 2 121.2  |
| Developing countries      | 4 903.7  | 5 132.8  | 5 424.3  |
| Planned economy countries | 7 185.9  | 7 454.4  | 7 772.6  |
| Total                     | 23 924.3 | 25 366.4 | 27 042.7 |

Proportion of apparent world consumption  
of fibres in the main economic zones (%)

|                           | 1971 | 1972 | 1973 |
|---------------------------|------|------|------|
| Developed countries       | 49.5 | 50.4 | 51.2 |
| EEC                       | 14.7 | 14.9 | 15.- |
| USA                       | 20.1 | 20.8 | 19.6 |
| Japan                     | 6.4  | 6.1  | 7.8  |
| Developing countries      | 20.5 | 20.2 | 20.1 |
| Planned economy countries | 30.- | 29.4 | 28.7 |
| Total                     | 100  | 100  | 100  |

Source : Comitextil - (EEC textile industries coordination Committee)