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DOCUMENT 467/78

Report

drawn up on behalf of the Committee on External Economic Relations

on the proposal from the Commission of the European Communities to the Council (Doc. 304/78) for a regulation on common rules for imports of certain textile products originating in third countries

Rapporteur: Mr M. INCHAUSPE

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By letter of 12 September 1978 the President of the Council of the European Communities consulted the European Parliament, pursuant to Article 113 of the EEC Treaty, on the proposal from the Commission of the European Communities to the Council for a regulation on common rules for imports of certain textile products originating in third countries.

The President of the European Parliament referred this proposal to the Committee on External Economic Relations as the committee responsible and to the Committee on Economic and Monetary Affairs, the Committee on Social Affairs, Employment and Education and the Committee on Development and Cooperation for their opinions.

On 17 October 1978 the Committee on External Economic Relations appointed Mr Inchauspé rapporteur.

The committee considered this proposal at its meeting of 21 November 1978.

At that meeting the committee unanimously adopted the motion for a resolution and explanatory statement, with one abstention.

Present: Mr Kaspereit, chairman; Mr Scott-Hopkins and Mr Schmidt, vice-chairmen; Mr Inchauspé, rapporteur; Mr Bayerl, Lord Castle, Mr Fitch, Mr L'Estrange, Mr Mont, Mr Schwörer and Mr Spicer.

The opinions of the Committee on Economic and Monetary Affairs, the Committee on Social Affairs, Employment and Education and the Committee on Development and Cooperation are attached.

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The Committee on External Economic Relations hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

MOTION FOR A RESOLUTION

embodying the opinion of the European Parliament on the proposal from the Commission of the European Communities to the Council for a regulation on common rules for imports of certain textile products originating in third countries

The European Parliament,

- having regard to the proposal from the Commission of the European Communities to the Council (COM(78) 393 final);
  - having been consulted by the Council pursuant to Article 113 of the EEC Treaty (Doc. 304/78);
  - having regard to the report of the Committee on Economic and Monetary Affairs, on the crisis in the textile industry (Doc. 438/77);
  - having regard to the report of the Committee on External Economic Relations and the opinions of the Committee on Economic and Monetary Affairs, the Committee on Social Affairs, Employment and Education and the Committee on Development and Cooperation (Doc. 467/78),
1. Emphasizes the temporary nature of the measures proposed and stresses the need for the Community's textile industry to adjust to the demands of international competition;
  2. Requests the Commission to adopt the following amendments, pursuant to Article 149, second paragraph, of the EEC Treaty.

Proposal for a Council regulation on common rules  
for imports of certain textile products originating  
in third countries

Preamble, recitals and Article 1(1) and (2) unchanged

Article 1(3)

3. Subject to the provisions of this Regulation, the importation into the Community of the textile products listed in Annex I shall not be subject to quantitative restrictions or measures having equivalent effect, nor to a system of authorization taking the form of a priori surveillance.

Article 1(3)

3. Subject to the provisions of this Regulation, the importation into the Community of the textile products listed in Annex I shall not be subject to quantitative restrictions or measures having equivalent effect.

Articles 2 to 8 unchanged

Article 9

Paragraphs (1) and (2) unchanged

3. The Community quantitative limits referred to in Article 3 may be increased in accordance with the procedure laid down in Article 15 where it appears that additional imports, which may include those needed for fairs, are required.

Article 9

3. The Community quantitative limits referred to in Article 3 may be increased in accordance with the procedure laid down in Article 15 where it appears that additional imports, which may include those needed for fairs, are required.

In increasing the Community quantitative limits, account shall be taken of

- (a) the situation on the Community market in the product concerned;
- (b) the need not to jeopardize the objective in view by Community quantitative limits and to ensure the proper functioning of the common market.

<sup>1</sup>For complete text see COM(78)393 final

4. At the request of a Member State which has issued import authorizations up to the full amount of its share and finds that it requires additional imports, the Commission may, after oral or written consultations with the Member States within the Committee set up under Article 14, open up further possibilities for imports into that Member State.

4. At the request of a Member State which has issued import authorizations up to the full amount of its share and finds that it requires additional imports, the Commission may, after receiving the opinion of the Committee set up under Article 14 and unless express objections are made by one or more Member States, open up further possibilities for imports into that Member State.

Article 10 unchanged

Article 11

1. The importation into the Community of textile products listed in Annex I, originating in one of the supplying countries listed in Annex II and not subject to the Community quantitative limits referred to in Article 3, shall be subject to a system of administrative control limited to retrospective statistical surveillance.

Article 11

1. The importation into the Community of textile products listed in Annex I, originating in one of the supplying countries listed in Annex II and not subject to the Community quantitative limits referred to in Article 3, shall be subject to a system of administrative control limited to retrospective statistical surveillance similar to that which at present exists in the form of automatic authorizations.

Paragraphs (2) to (7) unchanged

8. For the purposes of concluding the agreements referred to in paragraph 6 above, and deciding on the measures provided for in paragraphs 5 and 7 or in the agreements or joint conclusions mentioned in paragraph 6, the procedure specified in Article 15 shall be followed.

8. The agreements referred to in paragraph 6 shall be concluded by the Commission after it has received the opinion of the Committee set up under Article 14 unless express objections are made by one or more Member States.

Paragraphs (9) to (13) unchanged

Articles 12 to 18 unchanged

EXPLANATORY STATEMENT

1. The proposal for a regulation provides for definitive rules on Community textile imports until 1982. These are aimed at regulating a very sensitive area of the Community's external economic relations, to which your committee has already turned its attention on various occasions. In its opinion on the report of the Committee on Economic Monetary Affairs on 'the crisis in the textile industry' (Doc. 438/77, p. 94 et seq.) for instance, it approved the Commission's conduct of negotiations. The Commission was then - at the end of December 1977 - negotiating agreements on trade in textile products with more than 23 supplying countries.

In a motion for a resolution of 4 July 1977 (Doc. 209/77) the rapporteur had already warned of the danger, particularly in this sector, of the common market being flooded with cheap products from third countries. In a report on this motion for a resolution (Lord Brimelow report - Doc. 551/77, p. 7) the committee had then called upon the Commission 'To ensure the punctilious execution of the agreements it had negotiated with foreign suppliers of textiles within the framework of the multifibre agreement'.

2. In addition to the abovementioned 23 supplying countries the Community has worked out special agreements with six countries which already benefit from preferential agreements and has also made autonomous import arrangements, for Taiwan and the state-trading countries. In this way imports into the Community of 127 categories of textile products from 40 countries are covered and monitored. As regards the agreements running from 1 January 1978 to 31 December 1982, which have not yet been completely finalized, the Commission took measures for their de facto application for one year on 1 January 1978.

3. As the Commission reports in its "General guidelines for a policy in the textile and clothing sector" (COM(78) 362 final) the measures provided for in the agreements have already created more stable conditions in the Community's external trade in textile products.

As already mentioned, the proposal for a regulation provides for definitive arrangements for the application of the abovementioned textile agreements until 1982 with a view to giving a much-needed breathing space to a Community industry under pressure from low-priced textiles. The measures comprise, firstly, a mechanism for actual quantitative restrictions on all categories of sensitive products from

major supplying countries monitored under the 'double-checking system' (export licences from the supplying countries and import authorizations from the Community).

Secondly, the measures provide for possible restrictions in respect of, on the one hand, the abovementioned sensitive goods in each category from the less important supplying countries and, on the other, hitherto less sensitive products which could eventually become sensitive. In each case there is a specific threshold which, if exceeded, triggers off a consultation procedure for eliminating the market disturbance.

4. In accordance with its earlier opinions the committee supports the proposal for a regulation but stresses, as does the Commission, that this 'breathing space' (until 1982) must be utilized by the Community's textile industry to adjust to competitive conditions at both Community and international level. In this connection the Community should also take into account the forthcoming accession of three important textile-producing countries (Greece, Portugal and Spain).

OPINION OF THE ECONOMIC AND MONETARY AFFAIRS COMMITTEE

Draftsman: Mr T. NORMANTON

On 26 September 1978 the Committee on Economic and Monetary Affairs appointed Mr Normanton draftsman.

It considered the draft opinion at its meeting of 30 November/1 December 1978 and adopted it unanimously.

Present: Mr Pisani, Chairman; Mr Normanton, draftsman; Mr Delmotte (deputizing for Mr Zagari), Mr Ellis, Mr Hoffmann (deputizing for Mr Lange), Mr H.W. Müller, Mr Ripamonti, Mr Spinelli, and Mr Starke.

1. The crisis which the Community's textile industry is at present facing has made the adoption of measures to control textile imports an essential aspect of Community policy in this area. Massive imports of textile products at extremely low prices may disrupt the market, thus placing companies in an untenable position and leading to large-scale loss of employment in the Community textile industry: 500,000 Community textile and clothing workers lost their jobs in the period 1973-1976. This is the reasoning behind paragraph 2 of the Resolution of Parliament on the crisis in the textile industry (OJ No C6 dated 9 January 1978):

"States categorically that any Community policy must establish for a temporary period a mechanism for the regulation of textile imports.."

2. In the light of this situation the Community secured agreement from its fellow signatories of the GATT Multi Fibre Arrangement (MFA) allowing it temporary departures from the strict terms of the MFA. Under this derogation, the Community reached agreement with the main suppliers of low-cost textile and clothing to its market for such suppliers to restrain their exports to the Community in accordance with certain principles and, in some cases, specified limits.

3. The present proposal by the Commission lays down quantitative limits on the import into the Community of certain sensitive products from specific countries for the period 1 January 1978 to 31 December 1982. These Community quantitative limits were agreed with the third countries concerned under the procedure referred to above, and are to be allocated between the Member States in accordance with the criteria set out in the proposal. The import of such textile products from these countries is subject to dual control.

4. The less sensitive textile products in respect of which no quantitative limits are stipulated in the proposed regulation, are merely subject to a system of retrospective statistical surveillance. Article 11 of the proposed regulation does, however, provide for the possibility of intervening and fixing quantitative limits in the event of an excessive increase in such imports, either to the Community as a whole or to specific Member States. This is an essential element in the control of imports of textile products originating in specific third countries, since the quantitative limits laid down for certain textile products from specific third countries may induce them to diversify into other textile products on which no quotas apply; this might completely disrupt the Community market in these products.

5. The Committee on Economic and Monetary Affairs is unable to assess the actual quantitative limits proposed for the various textile products. It does, however, agree that there must be import controls on them.

6. Nonetheless, the Committee on Economic and Monetary Affairs opposes the proposal in Article 1 which would forbid any system of authorisation of imports taking the form of a priori surveillance and that in Article 11 which would limit the system of administrative control of imports not subject to quantitative limits under the proposed regulation to retrospective statistical surveillance. It points out that certain Member States have systems of a priori surveillance of imports which, if improved and harmonised throughout the Community, would provide valuable advance information on import trends.

7. The Committee on Economic and Monetary Affairs urges that, in using the powers which would be given to the Commission under Article 11 to open negotiations with supplying countries for the introduction of quantitative limits and for the introduction of such limits in default of agreement with the supplying countries concerned, the Commission should be conscious of the dangers posed to the Community industry by delay in introducing such limits, particularly if imports of the product concerned are rising rapidly.

8. The Committee also stresses the importance of the provisions contained in Article 12 and urges that should full compliance by Member States not be secured the Commission take appropriate steps. Full and rapid statistical information at Community level is an essential tool for implementation of the present proposal.

9. In its Resolution on the crisis in the textile industry (OJ No C6, 9.1.1978), Parliament called on the Commission to finalize proposals "for an industrial policy programme which would safeguard the future of this industry within the framework of a policy of selective expansion of the Community economy as a whole and present these proposals to the European Parliament not later than 31 March 1978" (paragraph 9). This resulted in a Communication from the Commission to the Council on "General guidelines for a textiles and clothing industry policy" (COM(78) 362 final). In this Communication the Commission declares its aim of presenting, after various consultations on these guidelines, operational proposals for the implementation of the guidelines as agreed. In this connection the Committee on Economic and Monetary Affairs stresses that these consultations should be held as soon as possible: the Community textile industry and its workers



must know the Commission's proposals very soon in order to enable them to continue the steps already begun to improving the industry's competitive position in the world.

10. The Committee on Economic and Monetary Affairs also stresses that the Community industry must have fully harmonised statistical information on the development of its market, and calls on the Commission to carry out the programme of improvements in this area which were shown by the recent Hearings with the industry to be necessary if it is to profit from the breathing space given by the present quantitative restrictions.

#### 11. Conclusions

The Committee on Economic and Monetary Affairs

- (a) reconfirms its commitment to the principle of expanding and liberalizing trade, with and within the Community;
- (b) believes, however, that the introduction of quantitative limits on the import of certain textile products originating in certain third countries is essential as a temporary measure to safeguard employment in the Community textile industry to continue to improve its competitive position in the world;
- (c) stresses that advantage must be seen to be taken of these import controls to introduce the necessary adjustments in the Community textile industry;
- (d) therefore requests the Commission to submit to it the proposals it has promised on a sectoral policy in respect of textiles as soon as its consultations are concluded;
- (e) urges the Commission to take due note of the points made in paragraphs 6 to 8 of this Opinion, when finalizing its present proposals;
- f) approves the Commission's proposal subject to these provisos.

OPINION OF THE COMMITTEE ON SOCIAL AFFAIRS, EMPLOYMENT AND EDUCATION

Draftsman: Mr M. VANDEWIELE

On 19 October 1978 the Committee on Social Affairs, Employment and Education appointed Mr M. VANDEWIELE draftsman of an opinion.

At its meeting of 29 November the committee considered the draft opinion and adopted it unanimously with one abstention.

Present: Mr van der Gun, chairman; Mrs Dunwoody, vice-chairman; Mr Vandewiele, draftsman; Mr Adams, Mr Albers, Mr Bertrand, Mr Dinesen, Mrs Kellett-Bowman, Mr Meintz, Mr Schreiber, Mrs Squarcialupi and Mr Vanvelthoven.

## I. INTRODUCTION

This proposal for a regulation is the last measure to be taken for the time being under the Community policy in the textiles sector that began at the beginning of the 1970s.

At that time the Commission proposed to pursue a trade policy that could combine the gradual opening of the Community market with the adjustments needed in the textile sector and adopt measures to speed up restructuring with a view to increased productivity.

The logical next step was EEC participation in the Multifibre Arrangement which entered into force on 1 January 1974.

In accordance with this Arrangement, the Community has concluded various bilateral agreements.

But unfortunately this policy has not made it possible to find a satisfactory solution to problems in the Community's textile industry.

This prompted Mr Van der Hek and Mr Van der Gun to table a motion for a resolution on the crisis in the textile industry<sup>1</sup> in 1976. The resolution points out inter alia that as the crisis jeopardizes a considerable number of jobs, it is essential to draw up an industrial policy for the textile sector at Community level. More specifically, the Commission is requested to put forward proposals dealing with 'the cutting-down of surplus capacity and the attendant social adjustment measures, Community-level coordination of national support, modernization and technological research'.

The motion for a resolution formed the basis of a very detailed report by the Committee on Economic and Monetary Affairs<sup>2</sup> which states unequivocally that the Community must rely on a policy of import regulation in the event of failure to achieve a reasonable international agreement.

In 1977 binding trade arrangements were adopted that, although generally beneficial to the Community industry as a whole, are only temporary and expire at the end of 1982. The Multifibre Arrangement itself expires at the end of 1981.

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<sup>1</sup> Doc. 497/76

<sup>2</sup> Doc. 438/77

The present proposal for a regulation deals with the bilateral agreements concluded by the Community with a variety of third countries that export textile products to the Community. The purpose of the regulation is to lay down rules that ensure proper management of the textile agreements in the period up to 1982.

This period must be used to adjust to competition at international and Community level. Such adjustments are all the more necessary in view of the Community's approaching extension to countries such as Greece, Spain and Portugal, themselves major suppliers of textile goods.

## II. THE PROPOSAL FOR A REGULATION

The Commission's proposal for a regulation is full of technical details, and the individual articles, that deal with control procedures, import authorizations, Community quantitative limits and percentages and a couple of hundred pages listing the textile goods in question, need not be discussed by a committee concerned with social affairs.

The consequence of introducing such a regulation - especially in the field of employment - does however, call for comment.

## III. THE SOCIAL ASPECTS

It is clearly impossible for committee members to assess the consequences for employment of so technical a proposal as this one and the Commission is therefore asked to state what calculations have been made in this connection and to what extent and how it is planned to compensate for the closing-down of further textile factories.

It must not be forgotten that from an employment point of view this is not by any means 'just another industry'. Ten per cent of all industrial workers are employed in the textile industry, and then there are the branches of industry that are directly or indirectly dependent on its existence - the textile machine industry, the chemical industry, service industries and trade and transport activities.

But the number of employed has been on the decrease since the 60s and the decrease has been more marked in recent years. In addition, workers that leave often have difficulty finding employment elsewhere, especially as the textile industry is often concentrated in particular regions of the Community where there are no other major industries. In some areas up to 50 per cent of the active population is involved. And it is mainly women that are employed in this branch of industry.

#### IV. CONCLUSION

There are two reasons for the difficulties in the Community textile industry: firstly, there has been little growth in recent years in demand on the domestic market as a result of the economic crisis and secondly, exports from third countries have increased sharply during the same period. One figure is enough to show how distorted the situation on the world market is: Hong Kong with its 11 million inhabitants exported more articles of clothing than all the EEC countries together.

It may be tempting in such a situation to resort to protectionism but that was not the view generally held in the European Parliament when the report by the Committee on Economic and Monetary Affairs was debated. There was instead general agreement that in addition to the Community's political obligation to protect its own jobs there was a moral obligation to help genuine developing countries to overcome their poverty by importing the goods produced as part of their industrial development programmes.

The solution to this major problem is to be sought in a shift in Community textile production and a restructuring of the production apparatus.

But, as mentioned earlier, action must be taken quickly since no one knows what will happen after 1982 when the bilateral agreements expire.

But one thing is sure: no matter which path is chosen it must be a Community one. Isolated national measures do not solve the problem; they merely export it to another partner in the Community.

Since it is chiefly a question of investments, it would be logical to make much more use than at present of the various European funds - the Regional Fund and particularly the Social Fund - to retrain workers. In addition there is the European Investment Bank and the recently created 'Ortoli loan' facility that enables the Commission to raise loans for the purpose of investments in the Community.

In view of the above, the Committee on Social Affairs, Employment and Education requests the Committee on External Economic Relations to incorporate the following paragraphs in its motion for a resolution:

1. Welcomes the proposal for a regulation in that it may promote an orderly and balanced development of trade in textile products between the Community and third countries;

2. Is of the opinion that the Community's natural desire to protect its own jobs is difficult to reconcile with the demands of the genuine developing countries for access to the Community market as a first step towards overcoming their poverty;
3. Recognizes the need for the conversion of the textile and clothing industry in the Community; notes, however, that a large part of the Community textile industry has already undergone radical restructuring and that further restructuring will become progressively more difficult in some countries;
4. Calls on the Commission to gather statistical data with a view to better assessing the effects as regards employment for Community textile workers of the various bilateral agreements;
5. Also calls on the Commission to provide more detailed information on the age and qualifications of the workers affected with a view to taking a position on the realistic possibilities of early retirement and retraining;
6. Considers it imperative that the Commission should also look into the consequences that the loss of jobs in the textile industry may have on other branches of industry whose existence depends to varying degrees on the textile sector;
7. Is convinced that a solution can be found only at Community level and that the Community must therefore take up the challenge by making greater use of the Regional Fund and the European Social Fund for urgent conversion and retraining activities, together with large-scale investment with the aid of loans from the European Investment Bank and increased operation of the Community's new instrument for promoting investments in production, 'the Ortolì loan facility';
8. Proposes in conclusion that the possibilities of applying the provisions of the ECSC Treaty by analogy to textile workers be investigated with a view to providing tideover allowances for unemployed textile workers, income subsidies for workers temporarily laid off, and grants for removal expenses, retraining and early retirement.

OPINION OF THE COMMITTEE ON DEVELOPMENT AND COOPERATION

Draftsman: Mr G. CUNNINGHAM

On 19 October 1978 the Committee on Development and Cooperation appointed Mr CUNNINGHAM draftsman.

It considered the draft opinion at its meeting of 22 November 1978 and adopted it unanimously.

Present: Miss Flesch, Chairman; Mr Bersani and Mr Sandri, Vice-Chairmen; Mr Cunningham, Draftsman; Mr Broeksz, Mr Caro (deputizing for Mr Lücker), Lord Castle, Mr Deschamps, Mr Dewulf, Mr Flämig, Mr Felt, Mr Jakobsen, Mr Lezzi, Mr Martinelli, Lord Reay, Mr Würtz.

## Factual background

The proposed Council regulation, on which the opinion of the Committee on Development and Cooperation is asked, has two functions:

Firstly, it makes provision for the continuation until the end of 1982 of arrangements already in force governing the quantitative limits to imports of textile products from certain countries;

secondly, it sets up the machinery for the management of these agreements.

At the end of 1977, the Community initialled agreements with 23 textile supplying countries in accordance with Article 4 of the renewed Multifibres Arrangement, whereby:

"participating countries may, consistent with the basic objective and principles of this arrangement, conclude bilateral agreements on mutually acceptable terms in order ..... to eliminate real risks of market disruption (and) disruption to the textile trade ..... and to ensure the expansion and orderly development of trade in textiles and the equitable treatment of participating countries".

The countries concerned are the low cost producers, i.e. the bilateral agreements do not concern other developed countries such as the EFTA countries or the Mediterranean countries, or the Eastern Bloc, all of which are major Community suppliers. The agreements were put into effect on a provisional basis from 1 January 1978 for one year only.

## The Commission proposals

The first objective of the present regulation is to provide for the agreements to be consolidated and extended to the end of 1982. In Articles 1 - 13, it specifies the products concerned, procedures for control, the limits agreed, the exclusions made (such as goods admitted under "inward processing" or readmitted after "outward processing" in Rumania or Yugoslavia). It also sets out criteria for allocation of the quantities concerned amongst Member States, and the mechanism by which this allocation may be varied to allow for changing market needs within the Community.



The Community may also increase the total specified if conditions in the Community require it, and new limitations may be brought in if new products are produced by developing countries which are not yet covered by these agreements. In all such cases the Member State or States request the Commission to initiate consultations with the supplying countries concerned, so that the new restrictions or limits can be agreed.

The second objective of the regulation is contained in Articles 14, 15 and 16 which are concerned with the management procedures proposed, in particular the establishment of a Textile Committee, composed of representatives of the Member States and chaired by a Commission representative. The function of this committee is to examine the Commission draft measures and give its opinion. In the event of disagreement, the Council will make a decision by qualified majority within a stated time limit, or in the absence of such a decision the Commission shall adopt the measure originally proposed. The chairman of the committee may consult the committee about any other matter relating to the operation of the regulation.

#### Comment

The Committee on Development and Cooperation is fully conscious of the difficulties of the European textile industry, which have in part been caused by low cost imports from developing countries. It would like to underline that this however is only one of the causes of the chaotic state of the Community's textile industry, as was clearly shown in the Committee's opinion on "The crisis in the textile industry"<sup>1</sup>. Even the excessive competition from developing countries that has taken place over the last few years has to some extent been a once-off phenomenon, as the more developed of these countries scrambled to export as much as possible into the Community before the bilateral arrangements provided for in Article 4 could be brought in. The USA, for example, brought in restrictive agreements immediately after the original signature of the MFA in 1973, and as a result had absorbed only 10% of the growth of developing countries' production in the years 1973 to 1977, while the Community absorbed 72% of this total. Between 1973 and 1975, Community textile imports rose 42% and the total share of Community textile imports from developing countries rose from 33% to 39%.

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<sup>1</sup>Opinion of Mr NOLAN on behalf of the Committee on Development and Cooperation (Doc. )

The committee is not, and has not been against the principle of bilateral agreements, although the stringency of the agreements which the Community has reached does seem excessive and may be an over-reaction to the events of the last few years. The committee does not wish to re-open the arguments about the agreements which have been reached, but would like to make the following two points:

Firstly, it needs to be stressed that the agreements are of a temporary nature and that the Community has given an undertaking in the GATT Textiles Committee at the time of signing the renewal MFA that any departures from the terms of the MFA "would be temporary and that participants concerned shall return in the shortest possible time to the framework of the arrangement".

In fact the bilateral agreements are intended to last for four years only. This places upon the Community the obligation to develop a strategy for restructuring the Community's textile industry. The supplier countries have agreed to these very stringent bilateral agreements on this condition.

The point is recognized in the Commission's communication to the Council on "General guidelines for a textile and clothing industry policy"<sup>1</sup> which stresses the need for the Community industry to use the breathing space itself until 1982 to "launch, or speed up, its efforts to adapt to the conditions of both Community and international competition". This means that the implementation of a Community textiles policy is a very high priority.

The second point which the committee would like to draw attention to is that the proposals made by the Commission for managing the agreements should contain provisions for the management of requests for consultations by the supplying countries. The only consultations provided for (in Article 13) are those requested by Member States, whereby the Commission "shall notify the supplying country concerned of the request for consultations". The bilateral agreements contain provisions for supplying countries to request consultations, so it would appear that there is a lacuna in the proposed regulation, which after all is designed to apply the bilateral agreements.

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<sup>1</sup>COM (78) 362 final, 20 July 1978

The Committee on Development and Cooperation appreciates that the Community does not wish to put itself into a position of having a kind of perpetual renegotiation of the bilateral agreements, but feels that in order to achieve the most practical and efficient utilization of these agreements, some form of consultation at the instigation of the supplier countries should be built into the management procedures. This will allow for the inevitable changes in market and trading conditions that will occur. An unduly rigid system will be wasteful, or alternatively, if the supplier countries cannot air their views to the Community, they will be forced to take action at the level of the GATT Textiles Committee; i.e. relatively small matters could well escalate into major confrontations.

#### Recommendation

The committee therefore proposes that an amendment be made to the draft regulation, and proposes that this be done in Article 16, which will enable a supplier country to obtain consultations with the Community in accordance with the bilateral agreements by bringing any particular matter of concern to the notice of the proposed Textile Committee.

Proposal for a Council Regulation  
on common rules for imports of certain textile products  
originating in third countries

Preamble, recitals and Articles 1 - 15 unchanged

Article 16

The Chairman may, on his own initiative, or at the request of one of the Member States' representatives, consult the Committee about any other matter relating to the operation of this Regulation.

Article 16

1. The Chairman may, on his own initiative, or at the request of one of the Member States' representatives, consult the Committee about any other matter relating to the operation of this Regulation.

2. The Chairman should also consult the Committee about any matters relating to the operation of the Regulation, if so requested by a supplying country.

Article 17 unchanged