

# COMMISSION OF THE EUROPEAN COMMUNITIES

COM (76) 720 final

Brussels, 6 January 1977.

Communication from the Commission to the  
Council concerning the commercial  
policy of the Community for  
textiles products

and

Proposal for a Council Decision authorising the  
Commission to negotiate the renewal of  
the Arrangement regarding International  
Trade in Textiles

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Communication from the Commission to the Council  
concerning the Community's commercial policy for textiles products

Renewal of the Arrangement regarding International Trade in Textiles

1. The Textiles Committee established under the Arrangement regarding International Trade in Textiles (MFA) agreed at its last meeting (30 November - 10 December 1976) to meet towards the end of February next in order to take stock of the situation as regards the renewal of the MFA which expires on 31.12.1977. The Community has a responsibility to ensure that this framework within which the activities of all interested parties in the textiles and clothing sectors (commerce, trade and industry) will be exercised after 1.1.1978, is determined as soon as possible.

The need to settle this matter in the early months of 1977 cannot, therefore, be too strongly emphasized.

2. Many participating countries, including the United States, have already made it clear that they wish the Arrangement to be renewed without change. The Community, on the other hand, has stated in Geneva that, whilst it favours renewal of framework arrangements for international cooperation on trade in textiles, such renewal does not merely mean an extension of the time during which the present Arrangement will be valid. The Community favours a negotiation for the renewal of the Arrangement, in the course of which consideration should be given to possible means of effecting improvements, taking into account the experience gained over the last three years.

3. Since the Community's acceptance of the MFA, its commercial policy towards parties to the Arrangement has been as follows:

- thirteen bilateral agreements have been negotiated by the Community under Article 4 of the MFA<sup>1</sup> with the main supplying countries. These agreements provide, in general, for export restraint on certain selected products and special consultation procedures;
- the Community has applied, on several occasions, the provisions of the safeguard procedure in Article 3 of the MFA;

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<sup>1</sup> Brazil, Colombia, Egypt, India, Korea, Hong Kong, Macao, Malaysia, Singapore, Pakistan, Romania, Yugoslavia, Japan.

- the Community has undertaken to complete its programme for the elimination of quantitative restrictions other than those dealt with by means of bilateral agreements by 31.3.1977 at the latest.

4. The Community's participation in the MFA has not, however, prevented its imports of textiles products from increasing dramatically over the past three years, especially in the clothing sector. This was no doubt due, at least in part, to the delay involved in the conclusion of the bilateral export restraint agreements with the Community's principal suppliers, referred to above. Nevertheless, the agreements now in place have already contributed towards, and will increasingly bring about, a stabilisation of trade from the Community's principal suppliers.

5. There can be no doubt, in the Commission's view, that the Community's expectations in accepting the Arrangement as a framework for trade in textiles in 1973 have not been fully realised in practice. The way in which the MFA has been interpreted during its first three years has been far from satisfactory from the Community's point of view and has hampered its implementation of the Arrangement.

The particular difficulties encountered by the Community are reflected in the terms of the directives annexed hereto, which the Commission proposes should be followed in negotiating the renewal of the Arrangement.

6. The Commission is of the opinion that a negotiation successfully pursued on the basis of these directives will ensure that the renewed Arrangement functions more equitably for importing and exporting countries and will better contribute to the progressive adaptation of industry under conditions of world competition. In addition, as is made clear in the annexed directives such a renewed MFA will also serve the interests of the least-developed and least-competitive exporting countries. The Commission feels that this latter element strengthens the Community's negotiating position and should not be overlooked.

7. Before concluding this communication, the Commission also wishes to draw attention to the fact that the matters referred to above which deal solely with the immediate question of the MFA's renewal, contribute only part of the Community's commercial policy in this sector. Imports of textiles products from non-MFA countries or from countries with which the Community has special relations occupy, in some cases and for certain products, a major and growing portion of the Community market. With regard to these countries, the Community has at its disposal other autonomous or agreed safeguards instruments such as the autonomous régime vis-à-vis the State-trading countries, and the provisions of the Association agreements, agreements with the Mediterranean countries, the Lomé Convention and the agreements with the EFTA countries. The provisions of the MFA must therefore be placed in a more general framework of commercial policy for the products in question.

8. Furthermore, it should be noted that effective implementation of the common commercial policy in this sector cannot be achieved without a constant supply of recent and complete statistics on trade and production of textiles products. Such information will be crucial, for example, to the success or failure of renegotiating the Community's present bilateral restraint agreements, which all expire at the end of 1977. All Member States should contribute this information systematically in the manner described in document GUD/869/76. The Commission intends to propose the extension of the programme contained in this document, to meet future needs.

9. In November 1973, the Commission sent to the Council, for its approval, a memorandum setting out certain guidelines for establishing a common import régime for textiles products. This memorandum drew attention to the fact that the burden of textiles imports from third countries was very unevenly shared amongst Member States. It proposed that appropriate measures be taken to reduce gradually the disparities in the distribution of imports in the different regions of the Community in order to ensure that the single market is fully established over a period of adjustment.

In order to achieve this goal, further and more substantial progress should be made within this system throughout the duration of a renewed MFA.

10. On these, and all other matters which have to do with Community policies in the textiles sector, the Commission reserves its right to submit proposals to the Council in due course.

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11. Taking into account the foregoing, the Commission recommends that the Council adopt the Decision annexed hereto.

## DIRECTIVES FOR NEGOTIATIONS

The main objective for the Community is to negotiate the renewal of the MFA as rapidly as possible and in such a way as to enable the Community, whilst respecting the basic objectives set out in the preamble and Article 1 of the present Arrangement, to achieve the results set out below.

1. Ensure that the relative penetration of import markets, the evolution of domestic consumption and the cumulative effects of imports are recognised, also taking into account the regional and social aspects as being among the factors justifying requests for consultations and negotiations in situations of market disruption (or real risk thereof) as defined in the Arrangement, and in addition, ensure that these factors may validly be taken into account in fixing in the exceptional cases referred to in the second sentence of Annex B(2), a growth rate lower than 6%.

To the extent that the Community obtains satisfaction on this and other issues referred to below, the Community would propose an increase in the annual growth rate contained in the first sentence of Annex B (2) from 6% to 7%.

2. Taking into account the need to renegotiate bilateral agreements concluded re-affirm the duty of all Parties to afford full opportunity for bilateral consultations and negotiations.

3. In order to avoid having to accept abnormally high reference levels when recourse is made to Article 3 measures following long drawn-out Article 4 negotiations, ensure that forestalling operations are avoided for example.

→ either by fixing time-limits for the conclusion of negotiations under Article 4,

→ or by ensuring the acceptance of the principle that a request for negotiations under Article 4 is deemed to fix the reference period for a possible request for consultations under Article 3.

4. Insofar as it may be agreed to limit the conditions or circumstances in which recourse may be made to Article XIX of GATT for the adoption of quantitative restrictions on products covered by the MFA, ensure that, if the reference period contained in Annex B (1) (a) is particularly

unfavourable to one or other party due to abnormal circumstances, imports effected over a period of several years may be taken into account.

5. Define the scope for more liberal market access for developing countries which are newcomers to the market and for those which are most severely disadvantaged, which would enable the gap between them and those suppliers whose exports already represent a dominant share of trade to be reduced to the extent that the latter accept a stabilisation of their situation, and bearing in mind the factors set out in point 1 above.

6. Ensure that the provisions of Annex A do not create difficulties for the adoption of safeguard measures where market disruption is caused by "price" considerations, and confirm that "price" and "quantity" may be taken separately into account.

7. Ensure that, in the composition of the TSB, one of the factors which is fundamental to its proper balance - namely the balance between parties which view trade problems as importers and those which view them as exporters - is not distorted. At the same time, ensure, possibly by a slight increase its membership, that the TSB's composition is broadly representative of the parties to the Arrangement.

8. Regarding handloom products, seek confirmation of the interpretation of Article 12, paragraph 3, to the effect that handloom articles are not be subject to the application of the MFA's provisions, provided that agreed arrangements for certification are drawn up between the parties, but that, in the absence of such agreed arrangements, or should such arrangements not operate satisfactorily, handloom products are subject to measures taken under the MFA. Should the need arise, further proposals may be made in the course of negotiations.

9. Ensure that, additional undertaking can in future, be obtained from parties to the MFA which are not GATT Contracting Parties, so that these countries do not obtain more favourable treatment than that accorded to Contracting Parties, taking into account the provisions of the GATT including its annexes and protocoles.

10. Propose an Arrangement of 5 years duration.

11. Ensure a realistic and equitable treatment regarding the rights and obligations of possible new Parties to the Arrangement.



Proposal for a Council Decision authorising the  
Commission to negotiate the renewal of the Arrangement  
regarding International Trade in Textiles

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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 the recommendation from the Commission,

Whereas negotiations are soon to open between the parties to the  
Arrangement regarding International Trade in Textiles, for its  
possible renewal after 31.12.1977;

Whereas the Community should participate in these negotiations,

HAS DECIDED AS FOLLOWS :

Article 1

The Commission is authorised to negotiate the renewal of the Arrangement  
regarding International Trade in Textiles.

Article 2

The Commission shall conduct these negotiations in consultation with the  
special Committee established under Article 113 and on the basis of the  
guidelines set out in the Annex hereto.

Done at Brussels,

For the President